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MALAYA AND THE MORATORIUM

In December 1948 the Legislative Councils of Malaya and Singapore negotiated—in a rather faulty and clumsy way it is true—a big hurdle before lifting the Moratorium in the Spring. They enacted a debtor-creditor legislation somewhat on the lines of that passed in Hongkong in June 1948. Before finally lifting the Moratorium certain other matters require to be settled—there is the question of an amendment to the Limitation Ordinance to provide for the exclusion of the Moratorium in computing periods of limitation; there is the question of interest during the Moratorium period which is complicated by the error and haste of those who were responsible for drafting the original Moratorium proclamation which stated that interest should not run during the period of the Moratorium but which was subsequently explained as meaning that interest should not be payable while the Moratorium lasted but which did not prejudice the obligation to pay interest in respect of such period when the Moratorium was lifted; there are questions of the liability of trustees and the validation of dealings in land which have been permitted under the Moratorium Proclamation.

It is now approaching three and a half years since the Moratorium was imposed. The course of events in its subsequent history has been marked by delays and changes which particularly in Malaya are difficult to explain or justify. Granted the necessity for constant exchange of views with the Home Government there remains the indelible impression that the debtor and creditor legislation which was intended to be an experts' bill was tossed about, pigeon holed and dealt with reluctantly by a series of different officials until it was finally tossed into the arena of a Select Committee which having produced a semblance of a unanimous report had to be revived in order to reconsider and qualify its findings in view of obvious injustices which had largely arisen because of its refusal to hear oral evidence.

That the Ordinance is still not fully understood even by the two Governments is shown by the explanation given in the introductory address in

the Legislative Council in Singapore which conveys an impression entirely inconsistent with the plain words of Section 4 as to the circumstances under which payments made in occupation currency may be revalued if they were made on the one hand to a creditor that carried on business during the occupation, and on the other to a business that was forcibly closed or liquidated. The erroneous interpretation by Government shows that it has not taken the right premises in the consideration of the injustice and discrimination against creditors like the liquidated banks and insurance companies and in their refusal based on a fallacious reading to amend Clause 4 which while precluding the liquidated creditors from the benefit of any allowance in respect of payments to liquidators in Japanese currency if the payments were made under what is defined in very broad terms as duress and coercion, despite the fact that the banks never got the money, gives the benefit of revaluation in general with certain exceptions to those creditors and banks that were actually carrying on business and received the money and were able to use it for the purchase of property or for their maintenance, and this irrespective of whether or not the debtors paid them under duress or coercion.

When it is realised that but for this Ordinance payments made to the Japanese liquidators would have to be again paid, and that those concerns which were forcibly closed and whose officers were placed in custody or imprisoned never received a cent of the money paid to the Japanese, it seems manifestly unjust that they should receive so little consideration while those concerns which kept open and received money, some of which were certainly not free from the taint of collaboration, should be allowed to retain the money received and get compensation for the difference in value between that of the currency paid and that in which payment was due.

A striking instance is that of a life insurance company in Malaya. The funds derived from the premium paid by the company's policy holders were, according to the best practice of conservative insurance companies, invested largely in local mortgages. The

Japanese liquidation officers released and purported to discharge the mortgages against payments mainly in token currency of which not a cent was paid to the company. Even if payments made in depreciated currency were revalued according to the scale given in the Ordinance it would stand to lose about half the funds which formed the security that the policy holders would be paid when their policies mature. But as the mortgagors are now permitted to avoid any payment in case they can prove that they were coerced to pay the Japanese, the company may lose all its securities and the funds invested.

In contrast take a bank or business firm that continued to do business during the war. The business concern might have been financed by a foreign bank which paid good hard currency in London or New York for the firm's imports. The firm sold the goods during the occupation at scarcity prices which enabled it to repay the bank with depreciated currency which represented a negligible proportion of the original debt. Nevertheless it received the benefit of all payments made during the occupation and generally acquired considerable real property with the money and will get good title to it all. At the same time it will get compensation to make up for the depreciated value of any occupation currency received notwithstanding that debtors paid under duress or coercion.

The liquidated concerns which are penalised by the new Ordinance were allied business interests which were considered hostile to the Japanese enemy; those that are favoured are those which were considered friendly to the enemy or at least sufficiently neutral not to give offence.

There is a very strong case for the reconsideration of the injustice done in the discrimination against the liquidated concerns and if, as it appears, the two Governments turned down the representations made to them because they relied on the interpretation given officially to the Legislative Council when it was asked to pass the Bill in reliance upon its accuracy, then as the interpretation is obviously wrong, the two Governments should be in honour bound to acknowledge their mistake and rectify the injustice thereby caused.

COMPROMISE WITH CHINESE COMMUNISM

In a recent address before the Royal Empire Society in London, Mr. A. S. Comyns-Carr, K.C., British Prosecutor at the major Japanese war trials, remarked that "the calamities of the Kuomintang in China have given greater opportunities to the little Colony (Hongkong), which is one place in the Pacific which is able to rely on British administration." He further described it as "an oasis of prosperity in a desert of desolation and destruction."

Hongkong is fully aware of its unique position, and is basking in a warm glow of prosperity, tempered by an unwelcome doubt as to the future of China and what the so-called "Communist threat" portends to commerce and industry.

For a number of years Communism has been so constantly on the Chinese map, that it has in the eyes of those living in areas beyond its control become nothing more than endemic to be placed in the same category as floods, famines and other ills to which China is prone. It was considered as something that might, under certain conditions become dangerous, but held little prospect of becoming so. Its renewed strength and activity in its conquests over the Nationalist armies has, however, brought its "dangerous" tendencies to the very doorstep of foreign trade and, as a result, it must be considered from an entirely new point of view, i.e., how far is the foreign merchant likely to be affected and how can the situation be helped or hindered?

At the moment trade prospects in Shanghai and Tientsin, which has now been taken by the Chinese People's Liberation Army, are not promising; but, looking at the question with an eye on past experience, it would not seem to be really hopeless, although it is extremely doubtful whether the losses already sustained and the losses to come before the country settles down again, will not have to be written off. While regrettable, these present losses are not so important, as what the Communist drive really portends. The opinion of many seasoned residents is that the Communist Party of China is not so much Communist in the accepted sense of the term as, to use Mr. Comyns-Carr's words, "primarily an agrarian reform party."

This may be true to a certain extent, but nevertheless the unknown and doubtful element in regard to future policy has filled Hongkong with refugees, driven stout-hearted missionaries from their work and shut the door, temporarily or otherwise, to shipping and trade generally. To judge from the peace terms presented to Nanking by Mao Tze-tung, foreign trade need not fear any direct adverse consequences from a new CPC controlled government.

Hitherto the Communists have only handled agricultural districts, but now, as pointed out in our issue of Jan. 19, they are faced with all the problems of government involved in the management of a large modern industrial

town like Tientsin and possibly other cities also and it is more than likely they may encounter the same difficulties as the KMT when at the end of the war extraterritoriality was abolished by the Allied Powers. The KMT at that time lacked the requisite number of trained and honest men to occupy the posts vacated by the foreigners, with the result that bribery and corruption assumed ever more fantastic proportions.

General Sir Charles Gairdner, who followed Mr. Comyns-Carr at the Royal Empire meeting already referred to, implied that by "pouring in raw materials into areas threatened by Communism, sufficient to raise the living standards above anything the Communists have to offer", there would be hope the Communists would adopt a middle course acceptable to both Chinese and foreign merchants alike. Should this policy be possible, its implementation would take months to say the least. Who would bear the burden of supply anyway? Is Britain in a position to send to China her much needed materials? Is not America already fully occupied with Europe? Also, would the Communists, who have already called for the abrogation of treaties with the United States, alter their policy to conform to the "dictates of foreign capitalism?"

No, the solution does not lie there. It lies rather in the practicality of the Chinese merchant, who viewing the position from a practical point of view, must realise that Communism, in the better sense of the word, need not so much mean isolation as, to use a word consonant with present day phraseology, compromise.

HONGKONG BUSINESS CONDITIONS AND OUTLOOK

The break-up of the Kuomintang regime and the anticipated Communist control of the emerging new government of China, a coalition between the Communists in dominating and policy-making position with leftist Kuomintang members plus democratic and liberal movements (actually without any power but some prestige and a following among intellectuals), have caused considerable anxiety in Hongkong where one generally expects that trade with China will be further adversely affected. Although it may be taken for granted that the new regime will try to revive foreign commerce and will replace present regulations with new and less harmful ones, the attitude of especially the U.S. Government will not prove to be helpful while other trading nations will adopt a policy of extreme watchfulness. There will be no credits extended as long as the position of the old unpaid debts remains unclear; the insolvency of the Kuomintang regime cannot be turned into its opposite. Poverty in China is so widespread that recovery even during a long period of peace is not to be expected except with the very generous assistance of foreign nations, and that means chiefly the U.S. and the British Commonwealth. As the

coming coalition government of China may not recognise all debts incurred by the regime under Chiang Kai-shek and may repudiate particularly loans extended by the U.S., there are hardly any prospects for future financial or other assistance by the U.S., and as other nations take now their cue from the U.S. as far as Far Eastern and Pacific economic policies are concerned, loans from British Commonwealth and European countries, including private loans, are out of the question. What sort of trade expansion is under these circumstances possible can be readily surmised.

Hongkong's trade should however not suffer from a possible further decline in China's imports and exports as the Colony's extensive entrepot business shows promise of further intensification.

Some cause for nervousness is found in the possibility of trouble making by a "red" Canton. One is used here, since 100 years, to recurrent protests and demands and whatnot regarding Hongkong culminating always in more or less outspoken "resolutions" by an official organisation in Canton for the "return" of Hongkong to China. Some renewed pressure by the new masters of Nanking (and sooner or later of

Canton) must be expected which might take the form of agitation to be engineered apropos an "incident." In the past such agitation has proved to be a great nuisance from everybody's point of view and the local resident Chinese dislike such political antics most deeply. The time of the establishment of the new regime in Canton is not far off and therefore, with or without justification, many business men here do not conceal their apprehensions of the future. They may be all wrong but the effect of such rather widespread anxiety is being felt in the Colony already since a few months.

It is particularly a number of the immigrant Chinese merchants who do not feel assured of the future stability of Hongkong and desire to move elsewhere. Passport and visa difficulties make their further travel practically impossible. Thus Hongkong, for better or worse, has become their home and new place of commercial and industrial venture. Shanghai merchants are particularly given to concocting, spreading and believing of rumours—and they seem to have converted to their mentality a not inconsiderable part of local business men. Finding themselves, to all intents and purposes, barred from wandering farther afield—Siam, Indonesia, Malaya, the Philippines, not to mention America, trying with success to keep Chinese, or for that matter any,

immigrants out—the many thousands of recent arrivals from North and South China have made Hongkong their home where they found, apart from excellent business prospects in a prosperous community, that high standard of law observance and civic order which is everywhere associated with British administration and protection.

Local conditions do contrast so strikingly with the chaos and general insecurity of China that both local residents and the immigrant Chinese cannot help feeling some nervousness when looking into the future. The very thought of Hongkong ever coming under Chinese control is sufficient to contemplate packing up and moving out.

Every local Chinese business man is highly appreciative of the virtues of British administration and dare not visualise a change to Chinese rule. The "achievements" of the Kuomintang regime with its enormities of public exploitation and graft have brought government in China into even more disrepute than it was held previously. The extent of grafting and corruption in the Nanking controlled areas is fantastic and grotesque. A large number of army, navy and air force officers as well as highest and lowest civil government officials lived — some prospered greatly — only from accepting bribes, engaging in illicit operations, black-mailing and outright theft of public property. The nation became riddled with corruption while Kuomintang was synonymous with "squeeze."

Hongkong Industry & Commerce

As reported in detail in our issue of Jan. 12, page 45, the local manufacturing industries expanded operations during 1948 while foreign trade returns reflect peak commercial activity after the war. Production tempo has improved due to installation of new machinery, redeployment, overhaul of prewar equipment, and proper maintenance in the well-managed factories where management understands and fully appreciates modern methods. Generally, factory activity is on a higher level than at any time after the end of war and, in many instances, has far outstripped prewar production figures.

Industrial employment is high but there is a large number of unemployed in the Colony which is the effect of unrestricted immigration of Chinese from the mainland. As long as these conditions are not amended there will always be unemployment in Hongkong and the large labour reservoir must, to the dissatisfaction of local workers, depress wages and the standard of living of industrial labour.

Building activity continues on the high level as during all of 1948; commercial, industrial and residential building construction, private and government, is progressing with great speed. The boom in the rebuilding and new construction of Hongkong is unprecedented and finds no equal elsewhere in the Far East. Houses are springing up in all quarters of the Colony and new foundations for building projects seem to multiply every day.

In the wholesale trade one finds that scarcities have largely disappeared and surpluses increasingly develop. Con-

sumers everywhere show more discrimination and selectiveness and selling proves more difficult a proposition. There is now increasing demand for credit and pressure on prices while slow payments and, in a few cases, insolvency have been noted during recent months. Building construction materials and a few other items are still commanding their price but the tendency is also weak.

Money is potentially available but, in fact, traders experience continued tightness as a result of large accumulations of merchandise and slow offtake by customers all over the Far East. "Hot" money which is so amply provided in the Colony does not go into any but the shortest term investment, mostly outright speculation. More inflow of this sort of capital does not benefit the commerce and industry of Hongkong; however, all established companies have adequate credit facilities when propositions are deemed attractive.

The local stock and share market remains in the doldrums offering excellent investment opportunities at 8 to 10% return calculated at current share price and 1947 dividends. Apart from reflecting anxiety about the development of the political situation in China and its possible repercussions on the economic life of the Colony, the low prices of local shares are a result of the tight money position. Further, some principal holders consider the attitude of Government regarding public companies' unhindered and uncontrolled operation in future as ambiguous and therefore they do not buy which fact, small as the local market is, has influenced the investing public who abstain also from larger buying preferring, for the time being, to deposit their savings in current accounts or fixed deposits, thus foregoing income from dividend payments.

The price tendency in foreign commodity markets is unclear but has recently been interpreted as downward. When primary commodities decline in price—especially all food grains (on account of large harvests in Europe and America), cotton, oil seeds—the effects must be felt very soon. It is significant that U.S. farm produce being quoted at rockbottom prices requires now U.S. Government support. Artificial measures have again to be taken to keep agricultural produce prices up. Products of secondary industry show consequently a declining price trend. Importers and dealers have been quick to exploit this situation and at present the general policy in Hongkong is to liquidate stocks and replenish them only when actual demand is to be satisfied. Money is preferred to goods—a complete reversal of the war and postwar mentality of merchants which only came to pass after substantial losses had been suffered by them. Capital equipment and a few durable consumer goods remain still scarce and it may take, in fact, many years until industrial machinery which is so urgently required both by advanced nations for replacement and backward countries for establishment of factories can be shipped without constant delays after waiting many months for confirmation of an order.

Public Finance

Hongkong's public finance returns show most encouraging results; revenue continually exceeds expenditure and collections are well maintained. Import duty receipts as well as revenue stamp sales are considered as very satisfactory. Of the authorised loan of \$150 million (introduced in December 1947) only one third has been issued as the financing of Government works to be covered from loan funds continues to proceed well by utilising the revenue surplus and the floating credit balance of the Department of S.T. & I. The latter has been decreasing but still is adequate to permit financing of many public works without resorting to the issue of another loan instalment of \$50 m. Internal revenue (income tax) receipts have exceeded previous estimates and there are still substantial arrears for the preceding fiscal year which should further swell collections for 1948/49.

The revenue surplus at the end of the fiscal year 1946/47, i.e. March 31, 1947, was only \$487,434 after a huge deficit was originally estimated. During the fiscal year ending March 31, 1948 a revenue surplus of \$36,597,136 accumulated. Since then every month has shown a higher general revenue balance and the surplus as at July 31, 1948 (the latest figures available) stood at \$43.1 m. During the four first months of fiscal 1948/49 a surplus of \$6.1 m. accrued, or \$1½ m. per average month of the current fiscal year. Against these very favourable actual figures there are the rather pessimistic estimates for the current fiscal year giving \$150.2 m. for total expenditure and 151.4 for total revenue thus resulting only in a surplus of \$1.2 m. for 12 months.

The Rehabilitation Loan, 1948, provides for 1948/49 total expenditure of \$61.9 m. while actual expenditure during the previous fiscal year was \$57.2 m. To judge by the performance of steady collections and the continued high level of prosperity of the business community here a further rise in the revenue balance can be taken for certain and thus the floating of a second portion of the Loan appears unlikely.

This is not altogether a blessing as the issue of a Government loan might tend to reduce the pressure of idle funds part of which are in chronic hibernation here. In connection with a lottery—a procedure which particularly appeals to Chinese financiers and to the general public—an amount of \$50 million could be easily raised and proceeds employed for new construction works, reclamations and, primarily, the realisation of the new airport scheme (for which the current loan appropriations only show \$4 m. while the total appropriation is \$8 m. against an estimated total cost of \$70 to 80 m. or some \$45 m. for the initial work and building of runways).

Circulation of Money & Financial Conditions

The last figures released by Government regarding the Hongkong note issue was \$752.6 million for the month of July but this amount did not include

the issue of Government notes (\$1, and subsidiary notes) which are estimated around \$20 million. Against the prewar note issue the July figures showed an increase of 227% (vide our issues of Aug. 4 and Sept. 1). During the last five months of 1948 the note issue expanded further largely on account of South China's requirements.

As there cannot be any stable currency in China during the period of civil disturbances on so huge a scale as witnessed last year the general public has resorted to hoarding of foreign currency notes and also transactions of any kind are increasingly conducted in US\$ and HK\$ notes or credits. In North China, especially in Tsingtao, and

in Shanghai and in most interior cities the US\$ is the principal foreign currency while in Canton and most cities in Kwangtung the HK\$ holds sway. After the collapse of the so-called currency reform of Aug. 19, and the compulsory conversion of foreign bank notes into the new yuan, the public resumed hoarding of US and HK notes with a

Registration of Private & Public Companies in Hong Kong

The first year for which registration records are available is 1865 when 2 companies were registered with a total of \$17.2 million. During the ensuing years until 1900 (inclusive) another 27 registrations of private and public companies took place, the total registered capital of these 29 companies then amounting to \$263,954,940. (The annual registration average for 1865/1900 was 2 companies and \$13,892,365).

For the years 1901 to 1941 a total of 42 companies with a capital of \$54,443,920 were registered (average 3 companies, \$3,888,851).

From 1915 to 1918 registrations totalled 28 companies with a capital of

\$132,670,016 (annual average 7 companies, \$33,167,504).

For the period 1919/1930 registrations comprised 220 companies with an aggregate capital of \$482,170,326 (annual average 18 companies, \$40,180,360).

From 1931 to 1939 a total of 521 companies with a capital of \$385,766,267 were recorded (average 58 companies, \$42,862,920).

For 1940 and 1941 registrations amounted to 156 companies with a combined capital of \$62,672,900.

During the postwar years, 1946 to June 1948, the registration of private and public companies progressed ac-

cording to the subjoined table. The number of companies registered during the 2½ years after the end of war was 781 and their aggregate capital exceeded \$2,082 million (annual average for the period Jan. 1946 to June 1948: 313 companies, \$833,146,550).

The compilations of the table do not include companies which were struck off the register during the year.

Total number of companies registered in Hongkong since 1865 and up to June 1948: 1,777. Total capital of such registered private and public companies during the same period: \$3,464,544,744.

Registration of private and public companies in Hongkong for the post war period January 1946 to June 1948

Year	Nil	Under 10,000	10,000 to 49,999	50,000 to 99,999	100,000 to 499,999	500,000 to 999,999	1,000,000 to 4,999,999	5,000,000 to 9,999,999	10,000,000 to 24,000,000	25,000,000 to 49,999,999	50,000,000 to 99,999,999	100,000,000 and over	Totals	
													Numbers of Companies	Capital \$
1946 Jan.	—	—	—	—	1	—	—	—	—	—	—	—	1	250,000
" Feb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
" Mar.	—	—	—	—	—	—	2	—	1	—	—	—	3	13,000,000
" Apr.	—	—	—	—	6	1	3	—	—	—	—	—	10	7,100,000
" May	—	—	—	1	4	4	2	—	—	—	—	—	11	4,850,000
" June	—	—	—	3	7	4	5	2	—	1	—	—	22	54,040,000
" July	—	1	1	2	4	5	8	1	—	—	—	—	22	18,831,000
" Aug.	—	5	5	9	59	34	40	13	10	3	5	—	183	688,761,719
" Sept.	2	1	3	2	15	12	12	2	1	—	—	—	50	47,349,000
" Oct.	2	—	3	2	11	6	10	4	—	—	—	—	38	39,259,000
" Nov.	2	—	—	1	1	2	8	1	—	—	1	—	16	69,244,200
" Dec.	—	—	—	—	7	1	5	1	—	—	—	—	14	13,150,000
Total	6	7	12	20	115	69	95	24	12	4	6	—	370	955,834,919
1947 Jan.	2	—	—	3	7	1	5	—	—	—	—	—	18	8,020,000
" Feb.	1	—	4	3	10	3	9	1	—	—	—	—	31	22,646,000
" Mar.	1	—	—	—	7	4	4	—	1	—	—	—	17	17,950,000
" Apr.	2	1	—	2	18	5	6	1	1	—	—	—	36	32,733,000
" May	—	—	2	1	10	1	9	—	—	—	—	—	23	13,687,500
" June	—	2	—	1	13	4	7	1	—	—	—	—	28	19,212,000
" July	2	—	1	—	12	2	2	1	1	1	—	—	22	58,460,000
" Aug.	—	—	—	1	6	4	3	—	—	—	—	—	14	6,960,000
" Sept.	1	—	—	1	8	1	6	1	2	—	—	—	20	38,850,000
" Oct.	—	—	4	2	11	3	11	—	5	1	—	1	38	209,856,000
" Nov.	—	—	—	—	6	7	4	2	1	—	—	—	20	29,120,000
" Dec.	—	—	1	—	8	8	9	2	1	—	—	—	29	36,520,000
Total	9	3	12	14	116	43	75	9	12	2	—	1	296	494,014,500
1948 Jan.	2	—	1	1	4	1	7	1	3	—	1	1	22	392,070,000
" Feb.	1	—	—	—	2	2	4	1	1	—	—	—	11	23,216,656
" Mar.	—	1	1	—	5	3	7	3	—	—	—	—	20	74,190,200
" Apr.	—	—	1	—	8	4	7	2	1	1	—	—	24	70,240,000
" May	1	—	1	1	5	5	8	1	—	—	—	—	22	19,380,000
" June	1	1	—	1	2	5	4	—	1	1	—	—	16	53,920,100
Total	5	2	4	3	26	20	37	8	6	2	1	1	115	633,016,956
Grand Total	20	12	28	37	257	132	207	41	30	8	7	2	781	2,082,866,375
Yearly Average, 1946-48	8	5	11	15	103	53	83	16	12	3	3	1	313	833,146,550

vengeance. Meanwhile the Central Bank of China had taken out of old hoards large amounts of foreign currency notes which went either into the National Treasury for whatever ultimate purpose or were dispatched abroad for payment of goods and services; part of the HK\$ "earnings" were converted, at the unofficial cross rate, into TT New York.

Although Hongkong Government does not yet inform the public how large the note issue of the three banks and the Government itself at present is the increase over the July figure of some 20% as at the end of 1948 appears to be a well-founded estimate. Including the Government notes Hongkong's currency issued as at the end of last year is estimated to have totalled nearly 900 million. Of this amount some 25% are believed to be circulating or hoarded in China, the larger amount being in Kwangtung.

Bank clearings reached last December the all-time record of \$789.9 million while the annual average was \$688.9 m., about 300% higher than before the war.

Banking statistics are not available as outlined in our issue of July 14. During last year deposits have considerably increased but no accurate figures have been compiled by the Financial Secretary of Hongkong Government and what data were available have only been communicated to the Bank of England. Total deposits in local banks are estimated at \$2,000 million; many Chinese bankers deem this figure too low pointing to the big sums which were brought here (or converted from other currencies) and could not find investment opportunities thus reposing in the vaults of local banks. Loans, discounts and advances have similarly increased but again figures are not available—a position which should be rectified.

Business of banks and financial institutions during 1948 has been on the whole as good or even better than in 1947. Profits were most satisfactory in every branch of banking activity. The publication of balance sheets of banks will bear out the business success of local banks. Native banks, with a few exception, have again reaped unusual profits as their operations in the gold and unofficial exchange markets were not effectively contested by commercial banks who either refrain from such transactions or compete with native banks and exchange shops through their compradore departments or affiliated native bankers and exchange brokers.

The outlook for banking business is determined by the progress of commercial activity in the Colony but since there is no doubt about continued expansion of trade—irrespective of the China fiasco—the earnings and profits of banks in 1949 should remain on the same high level.

Cost of Living

A slight reduction in local cost of living has been felt but official figures are not available. A wholesale price index was previously compiled by Government but it had to be suspended as

The new year in China has begun upon an uncertain note. Where China in particular is concerned, political conditions have led to such semi-bankruptcy and disruption in trade that it is almost impossible for business interests to plan far ahead. Rumour follows rumour: whether General Chiang Kai-shek intends to resign or will continue the fight against the Communists; whether the Government will be transferred to Taiwan, where the harbour at Keelung is so filled with Chinese vessels, employed in conveying officials and other evacuees, that they have had to lie four abreast at the wharves; whether Kwangtung Province, as a consequence of the monetary collapse in other parts of the country will have to declare a separate currency; these and many more tend to keep public opinion in a state of tenseness that is not conducive to calm thinking.

Meanwhile the Generalissimo has announced that he intends to keep on fighting, and Taiwan seems to be turning into an armed camp awaiting his arrival.

However, the feeling is growing, rightly or wrongly, that there will be a compromise of sorts, which, if not altogether satisfactory, will at least stop the fighting—and when fighting has ceased it is unlikely to start again, or at least so goes the reasoning. Consequently the flow of evacuees southward from Shanghai and the north has eased off considerably, and many are booking return passages for next month, if they can get them.

Shanghai's Trade

Notwithstanding the restless current of evacuees, trade has carried on, and exports from Shanghai have even managed to pick up since October. For the four weeks October 3 to 31 exports from Shanghai only reached US\$13,776,000 in value, or a weekly average of US\$3.4 million, the lowest

from June 1947. The last index, for May 1947, was published in our issue of July 2, 1947 (page 141) and a resume of local cost of living appeared in our issue of Dec. 10, 1947. It is of course imperative that the compilation and subsequent publication of a wholesale price index are no more postponed.

In 1947 general living costs were estimated to have advanced over the first part of 1941 by about 200% while 1941 prices were some 50 to 60% above 1938. A semi-official estimate for the increase in cost of living for Europeans in 1947 compared to 1941—allowing however for a much decreased postwar standard of living—varied between 300 to 500%.

Lower prices for imported materials and consumer goods were mainly responsible for the reduction in living costs in the Colony during 1948. The first symptoms of deflation were noticed and a price recession is likely to become more pronounced as the new year unfolds.

CHINA—A SURVEY

since June; but for the week November 28 to December 4 they amounted to around US\$6.7 million, and they increased still further to US\$7 million for the week December 5 to 11. Unfortunately a heavy fall took place over the week December 19 to 25, when exports only totalled US\$4.5 million. Details of the principal exports for these three weeks follow:—

	Nov 28/ Dec. 4	Dec. 5/11	Dec. 19/25
	US\$	US\$	US\$
Bristles	1,286,697	500,031	318,916
Woodoil	658,087	1,417,200	339,705
Tea	293,440	76,704	238,726
Cotton Manu- factures	108,630	126,070	125,787
Silk Manu- factures	173,570	155,107	267,264
Sundries	358,780	452,537	383,746
Others	954,915	562,558	538,639
	3,834,119	3,290,227	2,212,783

Under Govt. Control or Aid:

Frozen Eggs	51,274	83,020	—
Cotton Piece Goods	907,707	964,770	1,161,045
Cotton Yarn	822,006	832,131	1,181,349
Mineral Products	1,067,244	2,146,605	—
Sugar	359	—	—

Govt. Total 2,848,590 4,026,527 2,342,394

Grand Total 6,682,609 4,026,527 4,555,177

Tientsin has fallen, after fierce bombardments from across the river which damaged or destroyed several foreign-owned buildings, including consulates. The Nationalists wished to evacuate their troops, numbering around 50,000, under safe-conduct, and had ships waiting for the purpose outside Tangku, but the Communists refused to agree to this. Tientsin is the first large town on foreign lines to fall into the hands of the Communists, and conjecture is rife as to the lines on which it will be run. In a recent declaration the Communists stated that foreign-owned property and plant would not be interfered with, and it is hoped they will be as good as their word.

Trade for the last few weeks has been practically at a standstill. Owing to the closing of the river by the Nationalists, all movements of shipping had to come to an end, and consequently the figures of exports from Tientsin for November touched a record "low" of only US\$398,000, as compared with a monthly average of around US\$2.6 million for the June/October period:—

1948 US\$

June 3,808,000

July 2,398,000

August 3,263,000

September 2,703,000

October 1,000,000

November 398,000

Total Exports US\$ 13,570,000

DIFFICULTIES OF TRADE IN CHINA

Merchants as a whole are not good propagandists, but are apt to make the best of a bad job and to get on with the business in hand, no matter how difficult. It is, therefore, not surprising that the world in general has a very vague idea of what is meant when the "difficulties" of trade in China are referred to.

Perhaps there are few countries in the world where trade is so badly needed, and yet where, by a strange perversity, everything seems to be done to hamper the free flow of goods.

Of course, in a time of civil war every allowance must be made for the inevitable disruption that takes place, in transportation for example, but this lack of facilities has existed for some time and is evident even in places hitherto free from war. It is not difficult to realise the feelings of cotton and textile mill owners in Shanghai and Nanking, who find their output reduced by 25 per cent. since September, mainly through an inability to have the goods shipped; but what must be the frustration of mill owners in such provinces as Anhwei and Chekiang who find themselves faced with the same problem and unable to find a solution?

This is but one among innumerable handicaps that are preventing the development of trade and industry in the country at large. Other hurdles are, short-sighted regulations, to comply with which involves the expenditure of much time and the encountering of much red-tape; burdensome taxation, which has led to the failure of many concerns and consequent unemployment; ill-digested experiments in Government control of trade,—but one could go on *ad nauseam* describing such conditions, without much benefit to anyone. It is, however, necessary to understand a problem, if there is to be any hope of a solution, and possibly a reference to two curious instances which have recently taken place may not be without interest in an attempt to realise the situation.

The modern tendency, and quite reasonably, is to raise the standard of living for workers and so far as possible to remove from them the haunting fear of unemployment; but how it is done is important. What can be said, for instance, of a system which first cripples a going concern with excessive taxation and then when it can bear no more refuses to allow it to stop working? Yet this is what has happened in Shanghai, once a hub of industry, now a centre of uncertainty and growing unemployment.

A large number of cigarette factories recently petitioned the Bureau of Social Affairs of the Shanghai Municipal Government for a reduction in the tax on their products as a pre-

liminary to reducing the price. Lack of success caused them to apply, in accordance with regulations, for permission to shut down. This was refused; but the factories, having little or nothing to lose in the way of assets, closed down nevertheless, thus throwing thousands out of work.

Again, five paper factories have applied to the Bureau for permission to close, but this request has also been refused; though no suggestion has been offered by the Bureau as to how they can carry on with rising costs and fast vanishing markets.

Commenting on the anomalous situation that has arisen, the American-owned and edited "Shanghai Evening Post" writes:—

"What are we to call practices of the sorts under discussion? Certainly it is not a normal form of private economic enterprise when one embarks on a new industrial venture at risk of never being able to 'let go the bear's tail'."

"The conclusion emerges that what we have at present is merely a de-

cadent form of capitalistic operation in which management's freedom has been largely abridged while at the same time the workers can hardly be said to occupy an enviable position because of the advanced decay of the whole situation, especially as regards production, transportation and the monetary system.

"Restored peace, drastic reduction of the nation's presently overwhelming military expense burden, and elimination of most of the present controls would be among the major factors in rejuvenating the economic system of China, along lines of free-enterprise capitalism. A major requisite would be the total abandonment of the policy of favoring state enterprises, or enterprises in which bureaucrats hold personal interest, for this has been at once an unexpected and devastating source of termite-damage to the whole postwar economic structure in China. Such totalitarian policy directly contradicted China's wartime pledges to private enterprise both Chinese and foreign, and in itself provided a major error which would have gone far toward wrecking the whole economic machine in this country."

Chinese Highways & Road Transportation

The main problems faced by the National Highway Administration in China in the postwar years were inherited from the Pacific and civil wars. Thousands of kilometres of destroyed roads remain to be restored; destruction of rail lines makes imperative the maintenance and extension of roads in devastated areas; and the needs of the formerly isolated provinces of Free China for land communication must be met by minimum road maintenance if China is to profit from their rich resources.

Maintenance of roads throughout China has been a difficult and uneconomic task, for they were poorly constructed of water-bound macadam and subject to quick erosion. In many cases, bridges have given out because they are narrow and limited as to the weight they can carry, and because proper maintenance or construction during the last decade has been impossible by reason of the lack of materials. A large percentage of the roads traverse mountainous terrain, where erosion is doubly rapid and where they are subject to constant threat of slides and slipping roadbeds.

The Government was hardly able during the last 2 years to implement its policy by keeping about 50,000 kilometres of roads open in West China with a bare minimum maintenance. This lack of maintenance is a major reason why the China section of the Burma Road is almost impassable in many places as a result of serious landslides and slipping roadbeds. Clearing or repairing of the road has been so incomplete that observers fear its total obstruction through natural causes. Such heavily used roads as the Chung-

king-Chengt'u highway in Szechwan show marked deterioration.

Restoration work on the 76,686 kilometres of roads destroyed in the main combat zone of the Sino-Japanese war progressed slowly. About 56,000 kilometres still remain to be repaired. Even the Ministry of Communications states that the restored highways are passable for motor vehicles only in good weather; that bridges are narrow; and that shoulders and crowns of roads are substandard even by Chinese standards.

The critical area of East China south of the Yangtze contains large sectors which are isolated. Most of the roads in this region are in very bad condition. Consequently, mineral resources lie undeveloped and agricultural products are immobilized. The four good seaports of Wenchow, Fopchow, Amoy, and Swatow, still remain isolated from inland towns and cities because existing roads are suitable only for carts and man-packing, and because no rail connections exist. No improvement is possible under present conditions.

The Sino-Japanese war ended with approximately 60,000 motortrucks available for all civilian operation in China. Most of these were of 1938-42 vintage and were abused throughout the war years because of lack of parts and repair facilities. It is believed that now considerably less than 20,000 trucks are in operation or repairable. The Transportation Department of the Highway Administration has now approximately 4,000 motor trucks, of which most are inoperable or beyond repair.

The Highway Administration has adopted the following policies with regard to highway maintenance until such time as conditions improve: (1) No major maintenance or repair of roads in areas disturbed by the Communists; (2) maintenance and minor repairs to roads in Southwest and Northwest China; so

Of these diminished exports, bristles composed nearly half, with carpets next on the list. The bulk of the remainder is mainly goods sent out of Tientsin in an effort on the part of the owners to save something before the arrival of the Communists.

THE CURRENT SITUATION IN CHINA

Mao Tze-tung, Chairman of the Central Committee, Communist Party of China, issued on January 14 over the North Shensi radio station and later released by the New China News Agency the following statement on the current situation:—

2½ years have elapsed since July 1946, when the Nanking KMT reactionary Government with the aid of American imperialists and in violation of the will of the people, tore up the Truce Agreement and the Political Consultative Conference resolutions and launched a nationwide counter-revolutionary civil war. During these 2½ years of war, the Nanking KMT reactionary Government in violation of the will of the people convened a bogus National Assembly, promulgated a bogus constitution, elected a bogus president, promulgated a so-called order of "mobilisation for suppression of rebellion." It betrayed national rights wholesale to the American Government, and obtained several billions of American dollars in foreign loans from the American Government. It brought in the American Government's naval and air forces to occupy China's territory and territorial seas and encroach on her air sovereignty, concluded many treaties of national betrayal with the American Government, accepted the American Military Advisory Group's participation in China's civil war. It obtained from the American Government large quantities of planes, tanks, heavy and light artillery, machineguns, rifles, shells, ammunition and other materials for the slaughter of the Chinese people.

Based on the foregoing reactionary and traitorous basic domestic and foreign policies, the Nanking KMT reactionary Government directed its millions of troops in a brutal attack against the Chinese People's Liberated areas and the Chinese People's Liberation Army. None of the East China, Central Plain, North China, Northwest China, or Northeast liberated areas escaped the ravages of the KMT armies. The centres of the liberated areas—Yenan, Kalgan, Hwaiyin, Hot-seh, Taming, Linyi, Chefoo, Chengteh, Szepingkai, Changchun, Kirin, Antung, etc.—were also occupied by the brigand armies. Wherever they went, the brigand armies stopped at nothing, butchering the people, raping women, burning down villages and plundering property. In areas under its rule, the Nanking KMT reactionary Government oppressed the broad masses

of people of all walks of life—workers, peasants, soldiers, students and businessmen—into delivering their grain, paying taxes and performing labour, bleeding them white for "suppression of rebellion and bandits".

The Nanking KMT reactionary Government abolished all the rights and liberties of people. It oppressed all democratic parties and groups and people's organisations, so that they lost legal status. It oppressed the righteous movements of students against civil war, hunger, persecution, American intervention in China's domestic affairs, and fostering of Japanese forces of aggression. It wildly issued "CNC" notes and "Gold Yuan", disrupting the economic life of the people and plunging broad masses of people into bankruptcy. By means of every form of extortion, it concentrated the largest portion of the national wealth into the hands of the bureaucratic capitalist network headed by the Four Families of Chiang Kai-shek, T. V. Soong, H. H. Kung and Chen Li-fu.

To sum up, the civil war waged by the Nanking KMT reactionary Government in accordance with its reactionary and traitorous basic foreign and domestic policies, has plunged the people of all China into an abyss of suffering. This Nanking Government will absolutely not be able to escape its full and due responsibility.

* * *

In sharp contradiction to the KMT, the Communist Party of China has done in the period after the Japanese surrender its utmost in demanding that the KMT Government prevent and cease the civil war and realise peace in China. In accordance with this policy, the Communist Party of China obtained the signing of the Double Tenth Agreement with KMT in October 1945 through persistent struggle and with the aid and support of the people throughout the country. In January 1946, the CPC further signed a Truce Agreement with the KMT, and co-operated with all democratic parties and groups to force KMT signing of joint resolutions at the Political Consultative Conference. Thereafter, CPC together with all democratic parties and groups and people's organisations fought to defend these agreements and resolutions. Unfortunately, however, none of these actions in defense of internal peace and popular democratic rights was respected by KMT. On the contrary, those actions were considered a sign of weakness and not meriting consideration.

The KMT reactionary Government thought that the people could be pushed around. It thought that the Truce Agreement and Political Consultative Conference resolutions could be torn up at will. It thought that the Chinese People's Liberation Army would collapse at the very first blows. It thought that its several million KMT

troops could go on the rampage at will throughout all China. It thought that assistance from the American Government would be powerful and limitless. Relying on all of these suppositions, the KMT dared to launch a counter-revolutionary war in violation of the will of the people throughout the country.

Under these circumstances, the CPC had no choice but to arise in firm opposition to the KMT and to fight in defense of national independence and the democratic rights of the people. From July 1946 on, the CPC led the heroic People's Liberation Army in resistance to the offensives of 4,300,000 troops of the KMT. Then, the People's Liberation Army went over to the counter-offensive, recovering all the lost territory of the liberated areas, and liberated the big cities of Shihchiachuang, Loyang, Tsinan, Chengchow, Kaifeng, Mukden, Hsuehchow and Tangshan.

The Chinese People's Liberation Army (CPLA) overcame unparalleled difficulties and strengthened and enlarged its own ranks, arming itself with large quantities of American arms presented by the American Government to the KMT Government. In the course of 2½ years, the CPLA wiped out the main military forces of the KMT and all of its crack divisions.

At the present time, the CPLA is superior to the remnant military forces the KMT in numbers, morale and equipment.

* * *

Now, at last, the people of China have begun to come into their own.

Now the situation is extremely clear: the People's Liberation Army need only further deal some heavy blows at the remaining KMT troops, and the entire reactionary ruling machinery of the KMT will crumble into dust and extinction.

The KMT reactionary Government has now reaped the fruit of its civil war policy: the people oppose it, its confederates have deserted it and it has come to the point where it cannot carry on any longer. In this situation and for the purpose of preserving the remnant forces of the KMT Government, winning a breathing space and then making a come-back to destroy the revolutionary forces, the No. 1 Chinese war criminal, head of the KMT brigands, bogus president of the Nanking Government, on New Year's day brought forth his willingness to enter into peace negotiations with the Communist Party of China.

The CPC holds that this proposal is sheer hypocrisy. This is because Chiang raised conditions with which the people of China cannot agree as the basis for peace negotiations—preservation of the bogus constitution, preservation of the KMT's "legitimacy of traditional institutions", preservation of the reactionary armies, etc. These are conditions for continued war, not conditions for peace. The people of the entire country have

as to keep them at VJ-day level of condition; (3) no attempts in other than the Nanking-Shanghai area to repair or maintain roads according to United States standards; (4) improvements to highways only where they do not parallel other means of transportation; and (5) construction of highways to act as feeder lines to railheads and to inland and coastal ports.

made their will manifest during the past fortnight. The people yearn for the early winning of peace, but they do not agree with the so-called peace of war criminals, do not agree with their reactionary conditions.

On the basis of this popular will, the CPC make the following statement:—

The CPLA has ample strength and reason for destroying all remnant military forces of the KMT in the not distant future. Nevertheless, for the sake of bringing the war to a speedy conclusion, realising genuine peace and alleviating the suffering of the people, the CPC is willing to conduct peace negotiations with the Nanking KMT reactionary Government or any other KMT regional government or military bloc on the basis of the following terms:

- (1) Punish war criminals.
- (2) Abrogate the bogus constitution.
- (3) Abolish the KMT's "legitimacy of traditional institutions" (i.e. abolition of KMT calendar and introduce the Christmas time reckoning).
- (4) Reform all reactionary armies in accordance with democratic principles
- (5) Confiscate bureaucratic capital.
- (6) Reform the agrarian system.
- (7) Abrogate treaties of national betrayal.
- (8) Convoke a political consultation conference without the participation of reactionary elements, establish a democratic coalition government, take over all power from the Nanking KMT reactionary Government and its lower levels of government.

The CPC holds that the foregoing terms reflect the common will of the people of the entire country. Only a peace based on these terms can be a genuine democratic peace.

CHINA TUNG OIL TO THE U.S.

Imports into the U.S. of 122,000,000 pounds of tung oil in 1947 were the largest American purchases in a decade. Receipts were 85,000,000 pounds higher than in the preceding year and about 20,000,000 above the 1937-41 average. Practically all of the tung oil imported in 1947 came from China, only 500,000 pounds coming from other sources. The United States is the world's largest consumer of tung oil and in normal years buys about 75 percent of China's total exports.

Shipments of tung oil from China were the largest in value of all China's exported commodities prior to the war, averaging 160,000,000 pounds during the five crop years 1934 to 1938. During the war, however, exports declined gradually to an insignificant figure. In 1947, total tung-oil shipments from China were 78,000,000 pounds; the United States took 36,000,000 and Hongkong 22,000,000.

In 1948 total Chinese tung oil exports declined against 1947 and prospects for this trade are not good.

AN ANALYSIS OF GENERALISSIMO CHIANG KAI-SHEK'S BOOK "CHINA'S DESTINY"

By TSENG YU-HAO

The publication as late as 1947 of two English translations of Generalissimo Chiang Kai-shek's "China's Destiny," considered already as the Kuomintang's Bible since 1943, has caused some sensational controversies among the reading public in the Anglo-American countries. Defenders of China's existing regime have held that the book represents essentially interpretations of Cathay's civilization and Confucian ethics as seen suitable by Generalissimo Chiang for his country and people. The theories and institutions which have enabled the Chinese to live five thousand years deserve some explanation and interpretation by such a prominent national leader as the Generalissimo. No Chinese can ignore his national heritage in one of the most critical periods of China's history. Even Mao Tze-tung, chairman of the Chinese Communist Party, has been praised by his comrades for his ability to write Chinese poems, cite Chinese historical events and quote the Analects and other Classics. Thus "China's Destiny" was just a reminder by China's leader to his citizens of their past glories and their future mission as well as the destiny of their state and nation. "China's Destiny" is then no fiction nor a political programme for the agents of reaction and counter-revolution as charged by its antagonists.

The fact that even the U.S. Department of State withheld its English text when demanded by Senators has however presented another aspect of the subject. Critics of "China's Destiny" alleged generally that it is the Chinese counter-part of "Mein Kampf." They pointed out that the 24 histories of China's 24 dynasties were the histories of 24 dictatorial regimes. General Chiang Kai-shek's life, education and outlook were in essence Chinese. His heroism has been the result of his studying ancient Chinese aspirations and inspirations of a hero, and he had become the founder of another Chinese dynasty organising it in 20th century style with "Blueshirts" and the San Min Chu I Youth Corps patterned after the system of Fascism. The characteristics of the new Chinese dynasty were divine leadership, superiority of culture, supremacy of the élite, control of thought as well

as authoritarian management of economic and politico-military affairs.

Accordingly, Chiang Kai-shek's presentation of "China's Destiny" is the prima facie evidence of his volte-face from the leader of a revolutionary movement aiming at the realization of a government of the people, by the people and for the people, to the founder of a dynasty.

Revision of the Three People's Principles

The Generalissimo propounds in his "China's Destiny" the philosophy of the late Dr. Sun Yat-sen's "Three People's Principles" by adapting and interpreting the Father of the Chinese Revolution as speaking the languages of both ancient Chinese and modern Western thinkers. "You should understand that the Three People's Principles are not only the crystallization of China's ancient culture and the virtues of the nation, but also represent the inevitable trend of the modern world." (China's Destiny, chap. 7). The Generalissimo does not define specifically the meaning of the Three People's Principles, nor did he accept clearly the commentaries embodied in the Declaration of the First Kuomintang Delegates' Conference in 1924 held under Dr. Sun Yat-sen's chairmanship and personal guidance. Nor does Chiang Kai-shek accept the bill of rights and the rights of election, recall, initiative and referendum which the Father of China's Republic demanded for forty years. Still the Generalissimo claims to carry out the legacy of the Three People's Principles. Chiang mentioned casually the equalization of land and regulation of capital as postulated by Dr. Sun Yat-sen. But here again facts disprove words. Under the Generalissimo's rule, the few favoured families were granted monopolistic prerogatives in respect of trade, industry and even loans obtained from America. These four or five clans were permitted by the Generalissimo to act contrary to Dr. Sun's teachings that the four hundred million Chinese are the sovereigns of their own country.

Dr. Sun Yat-sen condemned Chinese lending support to the Manchus who suppressed the Taiping Revolution last century. Chiang however values highly those denounced by Dr. Sun as perfect ministers. The Marxist economic interpretation of history holds that the two Chinese statesmen who organized Chinese militia against the Taipings represented the landlords and compradore class, but according to "China's Destiny" they were honourable men. Tseng Kuo-fan and Li Hung-chang "regarded the reform of social customs as their personal responsibility. Tseng Kuo-fan advocated

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strict enforcement of the law, and in selecting personnel he preferred men of righteous indignation and talented comprehension. In regard to scholarship and thought, he adopted the teachings of both the Sung and Han periods and restored them to the basis of utmost sincerity." (chapt. 6).

The author of "China's Destiny" has been criticized severely by one of China's most eminent Political Scientists. Professor Chang Hsi-jo of the Southwest Federated University at Kunming, stated in November, 1944, that Chiang Kai-shek was "subordinating China's welfare to his personal ambitions and to building up his personal political machine—the Kuomintang—, of seeking to deify himself before the Chinese people, and of attempting to regiment thought and stifle criticism." On the Generalissimo's profession of the Three People's Principles, Professor Chang stated that "the Kuomintang talks about these (Principles) day and night. In the May 6th Draft Constitution (1936) it is provided that China shall be a Republic of the Three People's Principles. The first of these principles is nationalism, which means to help each national group to obtain independence and freedom. But the only positive achievement of the Kuomintang has been to recognise the independence of Outer Mongolia. The second principle in that of the people's rights. But the people have no rights except to attend the weekly Kuomintang memorial meetings, to bow to the Kuomintang flag, and to read the Kuomintang principles. They have nothing else. I need not talk about the Principle of the People's Livelihood. The streets are filled with beggars. The soldiers live worse than the beggars. The streets are filled with them for everyone to see."

Anti-Foreignism and Denunciation of Unequal Treaties

The second salient feature of "China's Destiny" is its philosophy of anti-foreignism and the unending denunciation of the unequal treaties allegedly responsible for all of China's ills, disasters, calamities and degenerations "since the Opium War" one hundred years ago. Extraterritoriality (consular jurisdiction), mixed courts, conventional tariff, ceded territories (like Hongkong), concessions and settlements, foreign control of maritime customs, inland navigation and coastal trade, establishments of alien factories, military garrisons, even of legations and railways are enumerated in the book as foreign encroachments. The United States to which the Generalissimo looked for help when he compiled "China's Destiny" is also condemned although America obtained "the chief special privileges" only by virtue of the most-favoured nation clause, such as found for example in what the Generalissimo called "the Sino-American Wang-hsia Treaty in 1844." Japan's Twenty-one Demands of 1915 were the "the most brutal and vicious" of "all the unequal treaties," asking for

"monopolistic possession," for "the exclusive occupation by Japan of all harbour and islands along the entire coast of China", and that "China employ Japanese as political, financial and military advisers" as well as that "Japanese subjects be given the right to own lands" and to preach Buddhism in the interior of China. "The unequal treaties even went a step further in destroying China's defense", said the Generalissimo. (chapt. 3).

"The deterioration of China's national position and the low morale of the people during the last hundred years can be largely attributed to the unequal treaties", the Generalissimo further insisted. "As a result of the oppression of the unequal treaties, the welfare of the agricultural villages declined, while life in the cities became extravagant. As a result, the traditional structure of the family, the village and the community was disrupted. The virtue of mutual help was replaced by competition and jealousy. Public planning was neglected and no one took an interest in public affairs." China thereby "lost the foundation for a strict and uniform policy of administration and economic development."

Chiang Kai-shek held foreign settlements responsible for China's moral collapse. "The concessions were not only the source of drugs, but were also havens for prostitutes, gamblers, thieves, and bandits. When economic conditions in the interior were poor, the people migrated to the cities. But it was difficult to find employment and they were therefore forced to sell their sons and daughters, and fell into the evil habits of prostitution and kidnapping. Thus, during the past hundred years, beautiful and prosperous cities became hells of misery and chaos. As for gambling, its damage was not limited to the rich, but also spread to the poor. The rich lost their fortunes and went bankrupt, and the poor lost their livelihood and met disaster. Once tainted with the habit of gambling, the social order became completely lawless. The people's minds were paralyzed and their morality destroyed." Consequently, "China's five-thousand-year-old tradition of diligence, thrift, and simplicity, of cotton clothes and a simple diet, of women weaving and men farming, were completely undermined by the opium, gambling, prostitutes and thugs of the concessions." (chapt. 3).

It is interesting and in fairness to historical accuracy to note that foreign concessions and international settlements were, like alien administration of the Chinese maritime customs in the days of Treaty Ports, not stipulated, as the Generalissimo or his ghost writer suppose, in any of the "unequal" treaties. They grew out of local desires, demands and pressures. The Land Regulations North of Yangking-pang that served as the organic law of the old International Settlement of Shanghai were for example not any international agreements concluded between the Manchu court and foreign

diplomatic corps, they were simply promulgated by a Taotai of the Soochow area.

General Chiang Kai-shek further alleged that "the secret activities of the imperialists were actually the chief cause of the wars among the warlords following the establishment of the Republic. Extraterritorial rights made possible the protection of their spies and secret service agents. Special areas like the concessions, leased territories and railway zones and the special rights enjoyed by the powers on the railroads and waterways, afforded facilities for the powers to store and sell munitions to local warlords, thus prolonging the internal disorders." (chapt. 3).

Summary Execution and Totalitarian State

Although the Generalissimo denounced such a phrase as Nazi-Fascism when it was out of fashion, he incessantly praised the arbitrary and autocratic system of government advocated by Confucius and his school. The Confucian tradition of executing a political opponent without a public and proper trial was particularly complimented. "Confucius, seven days after becoming chief justice of Lu, put Shao-cheng Mou to death, and explained: 'There are five kinds of evil people in the world and thieves and robbers are not among them. The first are those whose hearts are rebellious and dangerous. The second are those whose conduct is persistently depraved. The third are those whose words are false but unconvincing. The fourth are those whose learning is extensive in undesirable fields. And the fifth are those who are acquiescent and helpful toward misbehaviour. A person with any one of these five faults should not escape execution by the superior man, and Shao-cheng Mou possesses them all; his dwelling serves as a gathering place for his disciples, forming a party; his theories serve to beautify unorthodoxy and please the multitude; his stubborn arguments are sufficient to upset the right and constitute a new and independent theory—he is thus villain among men and must be eliminated.'" (chapt. 6).

As such the shooting of General Teng Yen-tai, and the assassinations of Shih Liang-tsai, proprietor of the Shun Pao, and of Professor Yang Chien, the Harvard-trained Deputy-President of the Academia Sinica, could be justified by the Generalissimo's apologists, as the revival of Confucian technique in suppressing unorthodox views as well as academic freedom and liberty of the press. The killings were accordingly not the methods copied from Himmler as often charged. Perhaps the Generalissimo discovered his ideological justification in the Confucian ethics when he tolerated if not instigated General Tai Li and his entourage in the organisation of the secret police, open persecution of oppositional beliefs, establishment of concentration camps, special monopo-

lies to a few clans and, above all, the propagation of the divinity and infallibility of the Leader principle or the principle of the inviolability and omnipotence of the Son of Heaven.

For "one purpose" the Generalissimo demanded unity and discipline. "Our thinking must be realistic, our living disciplined; our duties must be performed with a sense of responsibility, and our actions must be orderly; and we must seek the truth through practical work, and progressively strive for improvement. (chapt. 6). The pao chia system under which the Manchu minority were able to rule the Chinese masses by holding each household responsible individually and collectively for the conduct of the others, was also commended. The Nationalist Government, said the Generalissimo, "enforced the pao chia system and trained able-bodied young men with a view to making every citizen a soldier." (chapt. 4).

Superiority of Ancient Chinese Civilization

Like many of China's Emperors of the past, Generalissimo Chiang Kai-shek glorified China's old culture, institutions and ideologies which defended the divine rights of the rulers and the elite. He propagated the so-called eight virtues and four principles: "We know that the ethical tenets of a Chinese citizen are loyalty, filial piety, benevolence, love, faithfulness, righteousness, peace and harmony, and that the basic principles on which the Chinese state is founded are propriety, righteousness, modesty and honour." (chapt. 1).

The Generalissimo argued that the Middle Kingdom of antiquity days got everything—logic, science, technology and astronomy—that the West is nowadays proud of. "As for China's ancient learning, the wisdom and ability of the Chinese nation have made great contributions to human progress. For example, the dredging of the Yellow, Huai, Yangtse and Han rivers dates back to the time of Ta Yu (2205 B.C.). The magnificent construction of the Great Wall was completed in the Chin dynasty. The Grand Canal was completed in the Sui dynasty. Other achievements include such things as compass, gunpowder, arms, printing, and other mechanical inventions, and mathematics, music and medicine. One need only examine our past history to discover that the glories and the scope of our ancient Chinese learning cannot be equaled in the history of any of the strong Western nations of today." (chapt. 3).

Though he now professes himself as a Christian, Chiang Kai-shek chose to claim that the Chinese religion is superior. "With regard to religion, China's own philosophy of life, developed by Confucius, amplified and propagated by Mencius, and further explained by the Han scholars, automatically become a lofty system, superior to any other philosophy in the world." (chapt. 3).

As a Christian the author did not defend his religion. "During the last

hundred years, the Christian churches, because of their reliance on the unequal treaties, enjoyed special privileges and paid no attention to the spirit of the Chinese nation. As a result, some people came to regard foreign missionary work as cultural aggression, and even went as far as to regard it as an enemy." (chapt. 3).

China, according to the Generalissimo, has assimilated all races and cultures in southeastern Asia. "In the entire domain east of the Belurtagh Mountains, west of the Yellow Sea, south of the Gobi Desert, and north of the South Sea, the many varieties of religion, philosophy, literature, art, astronomy, astrology, law, institutions and social customs were gathered together and synthesized." (chapt. 1).

Anti-Liberal and Anti-Communist

Like the Anti-Comintern Pact of the Rome-Berlin-Tokyo Axis powers, the political ideology and philosophy embodied in "China's Destiny" is anti-Communist in name and anti-Anglo-American-liberal in deed, as there is very little variation between the totalitarianism and oppressive measures of the Bolsheviks and those of the Nazis and Fascists whose institutions the Generalissimo adopted and practised under the cover of reviving Confucianism and ancient Chinese culture and virtues of obedience and discipline. The Generalissimo was quite frank in his exposition that he despised both Democracy and Communism under whose banners he rose and maintained his personal aggrandisement over two decades:—"After the May 4th (1919) Movement, the ideas of Liberalism (Democracy) and Communism spread throughout the country. But those that advocated these ideas had no real knowledge of the enduring qualities of Chinese culture; they were simply looking for something new. Moreover, they merely endeavored to copy the superficial aspects of Western civilization without attempting to adopt its basic principles for the benefit of the Chinese economy and the people's livelihood. As a result, the educated classes and scholars generally lost their self-respect and self-confidence. Wherever the influence of these ideas prevailed, the people regarded everything foreign as right and everything Chinese as wrong." (chapt. 3).

The Generalissimo insisted that such alien "ideas and proposals did not coincide with our nation's psychology and character, and from the objective point of view, they lacked a solid foundation, since they were based on foreign theories and were constantly changing. Thus, all the movements led by them lasted only a short time."

Unless Dr. Sun Yat-sen was wrong in describing his own political ideals as based on his studies of Abraham Lincoln, Henry George, Lloyd George and the Swiss Constitutional Government, Chiang Kai-shek or his ghost writer of "China's Destiny" was assailing the founder of the Kuomintang and Father of the Chinese Republic for

citing foreign books. "As for the struggle between Liberalism and Communism," reads "China's Destiny," chapter 3, "it was merely a reflection of the opposition of Anglo-American theories to those of Soviet Russia. Not only were such political theories unsuited to the national economy and the people's livelihood, and opposed to the spirit of China's own civilization, but also the people that promoted them forgot that they were Chinese and that they should study and apply foreign theories for the benefit of China. As a result, their copying only caused the decay and ruin of Chinese civilization, and made it easy for the imperialists to carry on cultural aggression. China's theoreticians and political leaders, either directly or indirectly, intentionally or unintentionally, adopted the theories and interests of the imperialists as their own, and forgot their own origin and the purpose of their study."

Chiang Kai-shek was identified by his critics as a defender of Russian Communism in 1926, an advocate of Italian-Germanic Fascism in 1936, and a declared friend of the Anglo-American democratic system in 1946 although control of thought and concentration camps prevailed. Yet in "China's Destiny" he accused any one quoting alien political theories.

The author condemned the democrats and liberals further: "There were some that used the pretence of 'democracy' to cloak their feudalistic ideas and their divisive activities; employed the slogan of 'freedom' to conceal their reactionary and rebellious actions; and made use of such insulting terms as 'tyranny' and 'dictatorship' in their efforts to discredit the great task of national unification." (chapt. 4). Those who admired the West and who taught the tenets of liberty and democracy were denounced by the Generalissimo as having "selfish desires" based on "their own material interests." (chapt. 6).

Chinese Thought Control

The Generalissimo's program for reconstruction of China called for specific understanding of and unquestioned obedience to the law which was and is his will and personal command legislated by no representatives elected by the people. For "psychological reconstruction" he emphasised the importance and implantation of what he regarded as the national heritage. "As to the nation's original culture, its essence is found in China's three far-reaching virtues of wisdom, benevolence, and courage and the sincerity with which these virtues are put into practice." (chapt. 5). For "ethical reconstruction", he taught that "the most important task is to increase the emphasis on propriety and righteousness, and on virtues of integrity, understanding, and sense of honor." The people must be made filial and loyal to their Leader. Talking about "social reconstruction" the Generalissimo said that "the most important items in its program are train-

ing for local self-government and planning for the people's recreation and education." Every able-bodied male was to be made an unconditionally obedient soldier. For the suppression of subversive activities the pao chia system was introduced. For political reconstruction, political planning should be such that "China's democratic system will certainly not be patterned on the nineteenth-century democratic theories of individualism and class consciousness of Europe and America."

The Generalissimo instructed his people that "there must be a central point of focus" for carrying out the programs of reconstruction. Its requirement is dictatorship plus obedience. "It should be noted that, if there is no strong will and discipline, and no able management, the main task will be forgotten in the course of working out details." (chapt. 5). Accordingly, "our educational program both in the schools and in society laid its chief emphasis on cultivating nationalist thinking and stimulating a nationalist spirit; making certain that learning and culture were suited to the economy of the state and livelihood of the people; and eliminating the prevalent habits of disunity, disloyalty, vanity, and instability that had resulted from the effects of the unequal treaties." (chapt. 4).

The Generalissimo stressed greatly the proposition that Chinese people should follow blindly and unquestionably what their Leadership may choose. "According to scientific methods, each man's work must follow the principles of division of labor and specialisation of duty. Though those that know and those that act should co-operate, there should still be a division of labor. Therefore only Sun Yat-sen's theory that 'to know is difficult but to act is easy' constitutes a true guiding principle for man's life." Chiang Kai-shek looked however to Confucianism for the interpretation of Sun Yat-sen's theories. "The knowledge of the ancients came from generations of experience and lifelong endeavor. Thus I often say: 'There can be no knowledge without action.' Only the knowledge gained from endeavor is true knowledge; only with true knowledge is it easy to act. Confucius taught the people the Six Arts, and expected his disciples to acquire true knowledge by practising those Six Arts. Cleanliness, correct behavior, archery, chariot riding, writing and arithmetic—all may enable the student to acquire true knowledge by progressing from learning to higher comprehension. Students in later generations looked upon true knowledge, gained by the ancients through generations of experience and life-long endeavor, as an easy matter." (chapt. 6).

Through extra-legal organisations the Generalissimo put his theories into effect. "We must recognise that revolutionary reconstruction is a great

task that must be jointly shouldered by all citizens. The Kuomintang and the San Min Chu I Youth Corps are the general directing agencies for the carrying out of revolutionary reconstruction. Adult citizens must join the Kuomintang and the youth citizens must join the Youth Corps—only then will the happiness of the entire nation be safeguarded, the interest of the state protected, and permanent security for the nation and the state assured." (chapt. 7).

Such measures of the Generalissimo's security policy have led to the disappearance of the English-trained liberal Professor Fe Kung, and the assassinations of American-educated Professors Li Kung-pu and Wen I-tao, together with the alleged tortures and executions without trials of numerous "thought criminals" whose crime was non-obedience to the Leader's philosophy of divine and infallible leadership. So Professor Chang Hsi-jo said: "Thought control: This is the only thing that can be said to have been a really successful undertaking."

Government by Law.

While Chiang Kai-shek appeared to worship whatever Confucius and his school taught as infallible and irrefutable, he did not quite believe that the sage and his disciples advocated a government by personal example—a paternal government—rather than a government by law. The Generalissimo's motive can be easily discerned. He could not see the discrepancy between the law in a modern state which should be passed by a freely elected legislature and the law in an autocratic country where the absolute ruler's will and personal command are supreme and inviolable. Consequently, the Generalissimo had to revise the Confucian texts. "The Master (Confucius) said: 'When a prince's personal conduct is correct, his government is effective without the issuing of orders. If his personal conduct is not correct, he may issue orders, but they shall not be followed.'" (Analects. Book XIII, chapt. 16). Confucius told another monarch: 'Let your evinced desires be for what is good, and the people will be good. The relation between superiors and inferiors is like that between the wind and the grass. The grass must bend when the wind blows across it.'" (Analects. Book XII, chapt. 19).

Contrary to what Confucius insisted as quoted above, the author of "China's Destiny" alleged that "it is clearly an error for some scholars to assume that Chinese political philosophy stress government by ethics or by men, and is opposed to government by law". (chapt. 6). Then the Generalissimo proceeded to state that "only when every person stays meticulously within the confines of the law can each individual enjoy the benefits of freedom." Unconditional surrender to the authority was required by the Generalissimo. "To uphold government by

law we must first form the habit of obedience to law."

Chiang Kai-shek never defined what he meant by "law". Did he identify "law" with the personal will or command of the sovereign, or the system of enactments by a legislature elected by the whole people without external intimidation and under no duress from the secret police?

China under the Generalissimo's Leadership as a decisive factor for the Victory of World War II?

Although Churchill and de Gaulle withdrew after the people manifested their desires for new rulers in time of peace Chiang Kai-shek, holding to his Confucian view of divinity and infallibility, attempted to justify his continuity in office by claiming that China under his guidance and leadership was the decisive factor for the Allied victory in the war. In January 1942, the author of "China's Destiny" argued, "American and British preparations in the Pacific were inadequate, and Japanese aggression was victorious on all sides. But in the midst of this succession of triumphs, our army dealt a crushing defeat to the Japanese in the battle of Changsha, and thereby crippled them in the Chinese theatre. In this battle, Japanese morale received a severe blow and Japan was compelled to recognize the strength of our army. The result was that on her western front she did not dare attack India after the occupation of the Malay Peninsula and Burma; on her southern front she abandoned her plan to invade the Australian mainland after the conquest of the Netherlands East Indies and the Philippines; and on her northern front she could not carry out her long-cherished plan to invade the Soviet Union after the attack on the Aleutians." (chapt. 4).

The Generalissimo's success in the Changsha battle saved allegedly not only India, Australia and Soviet Russia for the Allies. He was also responsible for the preparations by the British Empire and the United States for the attacks on the Axis powers!! "Japan's hesitation and indecision as to her future course gave Britain and the United States an opportunity to prepare their battle lines in Western Asia and the South Pacific and to strengthen the defense of North America, while Soviet Russia was able to concentrate on the war with Germany. Since November 1942, the victories of the United Nations in all theatres of war have placed Japan in a hopeless situation, surrounded on four sides, and even the Axis powers have shown their distrust of Japan because she failed to adhere to the Tripartite Pact and thereby missed a timely opportunity. It is universally recognized, however, that Japan's inability to advance on the eastern, southern, western and northern fronts to carry out her 'Great East Asia War Strategy' was due to one major obstructing force—China's War of Resistance."

Chiang Kai-shek's claim has been discredited by all. The Stilwell Papers record: "July 10, (1942).—Russki rumour: Yuan Liang (a Chinese poli-

BALANCE OF INTERNATIONAL PAYMENTS BY FAR EASTERN COUNTRIES

Information on balance of payments of countries in the Far East and South East Asia, particularly for recent years, is very limited, but from what the United Nations' Economic Commission for Asia and the Far East was able to gather, the following general observations were made by ECAFE.

Practically the whole region is faced with heavy deficits on current account. The only exception seems to be the Philippines. Even the Philippines have a deficit on merchandise account, but it is at present more than counterbalanced by U.S. military and rehabilitation expenditures within the country. If this expenditure dries up or seriously declines, the Philippines will probably have to face serious foreign exchange difficulty in maintaining the

present level of imports. From this point of view, even the position of the Philippines does not seem to be inherently very strong.

High as they are, the figures of the deficits by themselves do not give a full idea of the difficulties which the various countries are experiencing.

Ordinarily, a deficit on current account is a fairly good measure of a country's foreign exchange shortage. Unless it can be covered by foreign borrowing or sale of foreign securities or depletion of foreign reserves, i.e., by some operation on capital account, the country will be forced to reduce its imports. In the Far Eastern and S.E. Asia countries, however, the position, if we analyse the content and context of the deficit, will be found to be more serious than what the bare figures suggest.

In the first place, the countries are nearly all debtor countries. They have no sizeable foreign investments or foreign balances to draw upon; on the contrary, there are generally in these countries large foreign investments, both of the entrepreneur and rentier type, giving rise to heavy annual liabilities.

It was largely because of their debtor status that the countries of the region used to have normally in pre-war days an export surplus. The surplus went to pay for the service of the foreign debt (in interest, dividends and amortization) and also for shipping, banking, insurance and other invisible imports. The countries themselves had few, if any, invisible exports. When the surplus was not quite sufficient for these charges, either the profits earned on the investments had to be partially reinvested within the country or further foreign capital had to be borrowed. It was in this way that the accounts were balanced, and no serious exchange shortage was normally experienced.

The position of China and Japan was rather different. China had normally an import and not export surplus, although she had absorbed a lot of foreign capital. This was possible because of large remittances from overseas Chinese. The other countries of the area did not have this source of income. Japan had normally an import surplus which did not, however, fully equal her net earnings on services (shipping, banking, etc.) and consequently left her a positive balance on current account, which was utilized for making investments abroad.

However, leaving China and Japan out, export surplus was the general rule. During the War the surplus increased considerably because of (a) deliberate cutting down of imports and (b) the almost insatiable war demand

for exports. Today that normal export surplus has not only disappeared, but given place to heavy import surpluses. Yet, the countries mostly remain debtors and without any large or readily available foreign balances.

Secondly, the deficits have taken place when the level of foreign trade is at a particularly low level. If it had taken place when trade was high, for instance when imports included a certain amount of luxuries, it would have caused less strain and hardship. But imports, if deflated by the rise in prices, were in 1947 in most countries (except perhaps in the Philippines) much below the normal pre-war level. The pre-war level itself was by no means high. The present imports may thus be regarded more or less as the absolute minimum. The bulk of them consists of food and other essential commodities which can hardly be cut down any further. It will be tragic if the countries concerned are unable, for foreign exchange shortage, to maintain even this level of imports. This shows how much darker in colour the deficit really is than it seems.

The overall deficits are accompanied by serious dollar deficits. This makes the position more difficult.

As long as currencies were multilaterally convertible, the currency composition of the deficits did not matter. A deficit in one currency could be made good by a surplus in another and only the net deficit remained as the problem. Today, however, "soft" currencies are more or less inconvertible into "hard." This has hit the countries in the Far East and in South East Asia rather badly. They were, most of them, normally not exporters to the U.S.A. (directly or through entrepot countries). Now they have to import more from the dollar countries because supplies are mainly available there, and they find it difficult to use any surplus which they have with sterling (or other soft currency) countries to settle deficits with the dollar area. Britain had undertaken to restore convertibility of sterling on 15 July 1947, but after a short-lived spell of convertibility, sterling became again inconvertible on 20 August 1947. The dollar deficits thus became a problem independently of overall deficits. And most countries have or are tending to develop substantial dollar deficits.

This deficit is the result of a combination of unfavourable factors. The most important of these seems to be the fall or insufficient recovery of production. The production apparatus has not yet recovered from the destruction or heavy depreciation suffered during the War. Not only factories, but mines and plantations also have suffered capital depreciation. In China and, to a lesser extent, in Indonesia and Indo-China, internal warfare is still crippling production. Labour discontent, partly due to inflation, has also been an important factor. Inflation has further directly tended to re-

tician of some fame in North China, who was a former mayor of Peking, and, during the war, reportedly aided the Japanese), and party here (Chungking) with peace terms. Also a Jap. Kuroda. Chinese to go back to Nanking. Wang Ching-wei to set up in North China. Japs keep Canton, Hanchow, Shanghai." Stilwell alleged: "Possibilities. Sympathy here (Chungking) for the Nazis. Same type of government, same outlook, same gangsterism." General Stilwell was recalled because the Generalissimo threatened to take independent action if the American remained. "Pro-Japanese influence is strong here (in Chungking)," record the Stilwell Papers.

The Chinese Communists never stopped accusing Chiang Kai-shek of betraying the allied cause. A United Press, Shanghai, report of June 30, 1947, citing the Communist Radio, told a story very damaging to the Generalissimo's reputation. "In January 1942, when America's military position with regard to Japan was disadvantageous, Dr. Sun Fo, by order of Chiang Kai-shek, issued his famous separate peace with Japan talk." Frederick Moore later published that "war material was conserved by Chiang for use when the war was over, against other Chinese warlords. He did not fight a single battle against the Japanese."

In fact, little effort was displayed by the Generalissimo to oppose the Japanese army; he was master in retreat and abandoning of cities and the country, all the while husbanding the strength of his foreign supplied troops for the eventual battle with the Communists. The myth of China's important role in winning the last war has been spread by the Generalissimo's propaganda in order to enhance his prestige; and the people were willing to believe that their great leader has achieved so much. Those who knew the facts about the weakness of China and the unending string of defeats at the hands of the Japanese forces could not but feel ashamed about so much undeserved glorification.

duce exports and increase imports by raising the external value of the currency over the internal. The general stiffening of import restrictions in importing countries has also automatically restricted exporting freedom for exporting countries.

While in all this way, export capacity has fallen or remained low, import needs and costs have, on the other hand, gone up. Low domestic production has made it impossible to replace imports by local goods to any appreciable extent. Further, import prices have gone up higher and higher, making the terms of trade increasingly unfavourable. Yet, because the imports are mostly foodstuffs and other essentials, the quantity imported could not be reduced. Urgent development programmes also had to be implemented to some extent, which meant demand for imported capital goods and raw materials. Consumer demand for imports also increased because of liberation of pent-up demand.

While in this way the visible trade balance turned adverse, little relief was forthcoming from the invisible side. These countries had normally very little invisible exports, the only exception being China which used to receive substantial remittances from overseas Chinese. But this has now considerably dried up because the Chinese in Southeast Asia from whom this remittance usually came are still unable to remit much, or are withholding remittances because of fluctuations in Chinese exchange. China and the Philippines have received considerable gifts (in cash and kind) on relief and rehabilitation account, but the other countries have benefitted little from this source. On the other hand, the invisible imports have still remained high.

Information on capital items is even more limited than on the current ones. Known capital movements do not seem to cover the whole of the deficit on current account. However, from what is known, it seems to have been mainly covered by drawing on foreign balances accumulated either during the war (examples, India, Ceylon and China), and obtaining foreign loans (examples, Siam, Burma, China, Indonesia). That on the whole an acute shortage of foreign exchange still remained, is proved by the existence (in certain countries in spite of devaluation) of high black market rates, further drastic restrictions on imports and holding up of much-needed reconstruction and development programmes. Exports are in different stages of recovery. The import prices have also probably passed their peak. But in spite of all these favourable signs, it is difficult to think how without liberal foreign loans, particularly in dollars, the countries of the region can tide over their foreign exchange shortage.

Burma

In pre-war days, Burma used to have an average annual export surplus of some 275 million rupees. Even this

apparently did not quite cover the earnings of foreign capital, because much undistributed profits used to be still left in the country to go into new investments. Pre-war foreign investments in the major industries were estimated to be £47.2 million.

In 1946 Burma could export very little and consequently had a very heavy import surplus. In 1947 her export capacity considerably recovered, but was still much behind pre-war standards. She has received a rehabilitation loan of £32.9 million from the U.K. to help her solve to some extent her foreign exchange problem.

Indo-China

Before the War, Indo-China had normally an export surplus which almost exactly offset (during 3 years 1935 to 1937) her out-payments in interest and dividends. The estimate by the General Statistical Service of Indo-China's transactions on account of goods, services and gold for 1937 was as follows:

INDO-CHINA'S BALANCE OF PAYMENTS, 1937 (million francs)

	Credit	Debit
Merchandise	2,611	1,562
Interest and Dividends	24	863
Other Services		
Remittances of im-		
migrants	—	134
Tourist Expenditure	10	82
Expenditure on National		
Defence	335	35
Other	85	176
Gold	70	—
Total	3,135	2,852
Balance		+283

The capital balance showed a net outward movement of 337 million francs.

No post-war estimates are available, but in 1947 Indo-China had a heavy passive balance on merchandise account (500.3 million piastres). She had also a deficit with the U.S. In 1946, however, she had a big favourable balance of trade. This was mainly due to the export of rubber stocks accumulated during the war.

China

China's estimated balance of payments for 1946 and 1947 (on combined current and capital account) is as follows:—

Visible imports far exceed visible exports and on known current account items, aggregate foreign income is far short of aggregate foreign expenditure. A large part of the deficit is unaccounted for. China had normally an import surplus, thanks mainly to remittances from overseas Chinese. This source of revenue has now considerably shrunk.

The items Post-war Lend-Lease Materials and UNRRA Relief Goods are gifts and did not call for any out-payments in foreign exchange. That is why they have been entered as offsetting items on both sides. However,

but for these gifts, China balance of payments position would have been much worse. Another item of foreign aid, namely, U.S. Forces Surplus Goods, is not entered in the balance sheet, because "it was to balance the war expenses of the U.S. Forces in China."

CHINA'S BALANCE OF PAYMENTS, 1946-1947 (U.S. \$ million)

Outpayments	1946	1947
Merchandise imports recorded	562	451
Plus: Smuggling and undervaluation	116	93
Government imports ..	187	150
Foreign debt service ...	25	45
Foreign remittances	5	5
Chinese expenditure abroad	10	10
Post-war Lend-Lease materials (offsetting item)	53	53
Cost of transporting Lend-Lease materials ..	15	15
UNRRA relief goods ...	270	254
China's share in UNRRA's administration budget ..	11	11
Post-war relief to overseas Chinese	5	5
Total	1,259	1,092
Inpayments		
Merchandise exports recorded	190	214
Plus: Smuggling and under (—) declaration ..	28	32
Overseas Chinese remittances, recorded	36	14
Plus: Remittances through illicit channels	40	60
Foreign expenditure in China		
Diplomatic, consular & armed forces	60	30
Philanthropic	13	13
Tourist	10	10
Post-war Lend-Lease materials (offsetting item)	53	53
UNRRA relief goods (offsetting item)	270	254
Foreign loans*	30	65
Unaccounted for ^b	529	347
Total	1,259	1,092

a Actually obtained by China.

b Mostly depletion of Government exchange reserve abroad.

Indonesia

Indonesia normally had a large export surplus which helped to pay for the invisible items she owed to the Netherlands. She also had a specific surplus with the U.S. In 1939, her exports to U.S.A. were 157.2 million guilders and her imports from U.S.A. were 63.7. Even this does not give a full measure of her dollar earnings. In addition to direct export to U.S. she used to send large quantities through Singapore. She was an important source of dollars for the Netherlands.

INDONESIA'S BALANCE OF

PAYMENTS, 1939

(Million guilders)

Receipts (Exports)

Merchandise	749
Gold	9
Decrease of gold possession abroad	44
Correction of export value	23
Tourists	3
Government receipts in Netherlands	22
Govt. contribution to the cost of the Navy	10
Other	9

Total

New capital investment

Increase in floating debt in Netherlands

Short term credits and explained differences

Total

Grand Total

Expenses (Imports)

Imports	536
Increase in Indonesian gold abroad	20
Interest and Dividends	179
Sea-borne passenger traffic	12
Delegations	12
Tourist expenditure	22
Payments to Directorates abroad	22
Pensions	40
Other	8

Total

Redemption of Loans

Purchase of Investments abroad

Remittance of Insurance premia, etc.

Short term credits and unexplained differences

Total

Grand Total

No post-war estimates are available, but it is known that in 1947 she had a heavy overall passive balance of trade. Total imports were 750.7 million guilders and total exports 333.0, leaving an import excess of 417.7 million guilders. She had also a deficit with the U.S. The loan of 100 million dollars from the U.S. was of great help, but did not solve the problem of foreign exchange shortage.

Japan

Japan's balance of payments in respect of business transactions in goods and services is at present necessarily passive, since her production and export capacity is still only a fraction of that of pre-war and her essential import needs are still very great. The deficit is being made good by Allied Powers mainly by U.S. appropriations.

On trade account which is practically the whole of her current account now, she was expected to have in 1947 a deficit of the order of U.S. \$352 million (estimated imports 526 million and exports 174 million). Japan's foreign trading is still entirely controlled by SCAP. The volume of imports and exports is determined by SCAP and not necessarily on purely economic considerations.

Regionally, Japan had in 1947 a small positive trade balance with non-

dollar countries, but since her requirements came from U.S., there was a heavy dollar deficit. The surplus with the non-dollar area could little compensate the deficit with the dollar area. The non-convertibility of sterling after the middle of the year made things worse for her. It is difficult to see how without large appropriations of convertible foreign exchange through foreign credits, private or governmental, which she can use for importing raw materials and capital goods, she can solve the problem of her foreign exchange shortage.

Philippines

The Philippines is the only country in the region which has at present a favourable balance of payments and sufficient foreign exchange resources. This exceptional position is due largely to the heavy volume of U.S. government payments (Army and Navy expenditure, back-pay of Philippine Army, rehabilitation payments, etc.). Both for 1946 and 1947, the receipts on this head exceeded the receipts on all other heads put together. The current level of imports has also been high. 1947 import would compare favourably with that of 1939, even if deflated by the rise in prices. Indeed, the Joint Philippine-American Finance Commission recommended "a programme of import control to reduce non-essential imports."

In 1946, however, the position was much less favourable. The balance of payments (on current account) as estimated by the Joint Philippine-American Commission showed really a deficit of 356 million pesos, which was met by a decline in foreign balances to that extent.

PHILIPPINES' BALANCE OF

PAYMENTS, 1947

(million pesos)

Receipts

Exports	531
Gold	4.5
Freight	14.5
Sugar Processing Tax	12.9
U.S. Army and Navy expenditures	483.5
Pensions to War Veterans	52
Foreign diplomatic expenditures	3.5
Interest and dividends on Philippine Investments abroad	6.4
Long-term investment (sugar)	16
Remittances of Filipino in Hawaii and U.S.	30
Tourist expenditures	15
War Damage Commission payments	29.6
Other U.S. Government expenditures	10.5
United States loans	120
Receipts from sale of U.S. bonds	22.7
U.S. Tax refunds	10
Transfer under Surplus Property Agreement including redemption of emergency currency	50
UNRRA	3
Other	10
Total	1,425.1

Payments

Commercial imports	1,022.7
Interest and dividends	7.5
Expenditures of Philippine Government abroad	2.5
Contributions to Fund and Bank	36
Freight and insurance	125.5
Tourist expenditures	23
Remittances of foreign residents	100
External debt services (arrearages in sinking fund contributions)	18
Amortization of long term capital	10
Other	10
Total	1,355.2
Surplus	69.9

As it is, the balance shows a surplus of 69.9 million pesos. If the items were separated into current and capital accounts, the current receipts would be 1,266.4 and current payments 1,309.2, showing a deficit of 42.8 million pesos. The capital receipts would be 158.7 and payments 46.0, showing a surplus of 112.7 million pesos.

The surplus being mainly a dollar surplus, the Philippines have no dollar problem at all.

The key factor in the Philippine balance is U.S. government expenditure. According to the Joint Philippine-American Finance Commission, this item would considerably shrink by 1951. It is probable that thereafter the Philippines would have considerable foreign exchange difficulties.

Siam

Before the War, Siam was normally a large net exporter, the exports being about 150 per cent of the imports. She also normally had an export surplus with the Americas. On aggregate known current items, she had from 1934-35 to 1937-38 large surpluses which could not be accounted for by known debit capital movements. The difference is thought to be explained by private remittances of Chinese and other immigrants to their families abroad.

In the post-war period she has been experiencing adverse trade balances and judging by known items, also adverse balances of payments. The merchandise deficit increased from 94.0 million baht in 1946 to 363.7 million baht in 1947. The main reason is considered to be the over-valuation of the baht. The balance of payments on current account for 1946 was estimated to be as follows:

SIAM'S BALANCE OF PAYMENTS, APRIL 1946-MARCH 1947 (million baht)

	Inward (credit)	Outward (debit)
Merchandise	445.2	553.8
Remittances	2.5	2.3
Gold	89.1	.9
Total	536.9	557.0
Deficit	-20.1	

CHINA'S BALANCE OF INTERNATIONAL PAYMENTS

The Chinese Government has not released any figures relating to the international payments of the country and has also not supplied international organisations such as the United Nations, the World Bank or the International Monetary Fund with the necessary data. All tables compiled by economists giving figures of China's foreign payments are based on surmise.

Irrespective of foreign loans and grants which China has received after the war, and of the complete suspension of interest payment and of amortisation of pre-war loans, the Chinese Government has been nationally and internationally bankrupt for a long time.

China's international balance of payments for the years 1928-1934, based on Prof. Remer's compilations and estimates of the Bank of China, and for the years 1935-1938, compiled by Mr. E. Kann, were published in our issue of January 8, 1947. The following estimate for the year 1947 has been compiled by the Shanghai Securities Exchange:

Estimate of China's International Payments for the year 1947 (in thousands of US\$)

In-Payment	
Export of Merchandise	230,500
Exports Unrecorded & Under-estimated	115,300
United Nations Rehabilitation & Relief Supplies	162,200
Surplus Properties from Allies	32,400
Overseas Chinese Remittances	37,100
Foreigners' Expenditure in China	104,900
(a) Diplomatic Expenses	21,300,000
(b) Military Expenses	42,600,000
(c) Missionary & Charity	22,000,000
(d) Tourists	21,000,000
Foreign Investments	15,500
Flight of Capital	50,000

FOR THE YEAR 1947 (million baht)

	Credit	Debit
Trade	1,045.6	1,114.2
Services6	14.7
Remittances	2.8	16.1
Gold	—	295.2
Total	1,049.0	1,440.2
Deficit	—	391.2

Exports were probably much larger, there being large-scale smuggling of rice, tin, gold and other commodities and outward remittances by Chinese residents were not included in the estimate. It may be assumed, therefore, that the deficit was more apparent than real. The fact that it was caused largely by importation of gold also reduces its seriousness considerably.

Siam has received a loan of 10 million dollars from the U.S. and 50 million rupees from India. This has helped to relieve her exchange shortage.

Export of Silver	3,200
Adverse Balance in Payments	75,700
Total	826,800
Out-Payment	
Import of Merchandise	480,200
Imports Unrecorded & Imports With Self-provided Exchange	214,000
Overseas Chinese Investments & Relief	30,000
Transportation & Insurance Charges	13,300

Rentals on Foreign Films ...	6,000
Diplomatic Expenses Abroad ..	4,400
Students, Investigators, & Tourists' Expenses	6,300
Remittances Abroad by Foreigners in China	5,000
Repayment of Principal & Interest on Loans	45,000
Investment in World Reconstruction & Development Bank	9,000
Imports of Gold Bullion	13,600
Total	826,800

AMERICA'S ENCOURAGEMENT OF JAPANESE TRADE

The emergence of Japan in the international market and the possibility of her undercutting European goods, brings again a strong competitive element into industry from which traders have been free since the surrender.

The return of Japan to normal peacetime development has always been envisaged, but foreign merchants and manufacturers anticipated that certain restrictive measures would be imposed for many years to come which would enable Japan's neighbours and Europe to get well established. The U.S. policy is to rehabilitate Japan in the quickest possible time, and recent events have made clear that a strong Japan is desirable and necessary; but caution cannot be too strongly emphasised, at least until the Japanese themselves are mentally ready to build up a new democratic country. According to Dr. Shichiro Matsui, Labour Relations expert, who is at present lecturing in America, it will take some years to break down the feudalistic concepts in Japan towards labour and industrial relations. He, however, stated that the Japanese Labour Standards Act of 1947, wherein minimum wages and maximum hours in many industries were established, had achieved much to end the era of cheap labour. A large number of trade unions have also been started with the approval of the American administration which should bring about better standards of living. Although these movements are widely appreciated nevertheless the fear of Japan's ability to undercut foreign standards is still very apparent.

Shipping: The question of shipping is closely wrapped up in this fear of unequal competition. According to the Draper report Japan should be allowed to possess something like four million tons of shipping within the next four years, and apparently plans are already under way for the immediate construction of roughly half that amount besides the 50 new vessels already under construction. These plans, however much in accordance with the U.S. policy, are nevertheless not favoured by the National Federation of American Shipping which has without hesitation voiced its disapproval by proposing that a fleet of not more than 2 million tons would be sufficient for the needs of Japanese trade. Their objections, which will not it is felt be acceptable

to America's political views on this subject, undoubtedly arise from the fear, so often expressed in business circles, of Japanese competition made possible by low wages and living standards. The outcome of these totally divergent points of view remains to be seen.

Japan's Export Plans: In the meantime Japan is making plans to increase exports to a value of U.S.\$2,000,000,000 by 1953. This emphasis on exports is due to Japan's urgent need for foreign credits and is part of the new economic stabilisation programme. This economic programme as inaugurated by the U.S. administration is to follow the lines adopted by Western Europe under the Marshall plan and includes, amongst other objectives, the improvement of foreign exchange controls in so far as authority lies with the Japanese Government. It nevertheless remains clear that Japan's unfavourable trade balance could to a large extent have been overcome if Japanese traders had been in a position to send their merchandise in their own vessels, instead of being obliged to use foreign bottoms.

Japan's Foreign Trade: A considerable amount of attention has been drawn to Japan's foreign trade agreements. These are undoubtedly important and will go a long way towards restoring normal trade relations. As has already been pointed out these trade agreements include French Indo-China, Egypt, Siam, Sweden and the Netherlands. The latter has been recently signed and includes a US\$89 million trade and financial agreement under which Japan will export some \$64 million worth of goods to the Netherlands and Indonesia and in return will receive raw materials and foodstuffs from those countries amounting to around \$25 million. Both Government and private trading will operate under the agreement.

There is also the feeling amongst certain groups of industrialists that, while they are averse to communism, trade with the communists in northern China would be an advantage and would open up a market most acceptable to them. This is a problem which SCAP will eventually have to face. It is obvious that imports from gold dollar areas are far too expensive for Japan's industrial and living standards.

Japanese Commercial & Financial Reports

Problems of Single Exchange Rate

The problem of a single exchange rate has come to assume more concrete shape since December 7, when the Far Eastern Commission announced its decision to permit Japan's world trade to go back to a virtually peacetime footing, subject to SCAP discretion. The announcement stressed in its last paragraph: "An exchange rate for the yen should be established as soon as practicable." The FEC announcement has changed the general complexion of the problem, as expectations have become strong that the new exchange rate might be set by April 1949. The pivot of the problem moved to the discussion at which point the proposed single rate should be pegged and as to the possible confusion consequent upon the unification of export and import rates into a single base might be averted.

The problem of establishing a single exchange rate involves two major obstacles. First is the wide gap between export and import transactions. 75 per cent of major export items will register losses if the exchange rate is set at Y270 to the US dollar. The percentage will drop to 60 per cent at Y300, to 46 per cent at Y350 and 24 per cent at Y400. The second trouble is the price imbalance between exports and imports. In the case of export products, the conversion rate at present stands at Y200 or higher, with some items rating Y500. On the other hand, the conversion rates for import goods average only Y112. The adoption of a single exchange rate at a level between Y300 and Y500 to the dollar would boost domestic prices of major import goods, and would elevate the price scales of domestic articles. Hence, there is every risk of the domestic price system being confused.

The price upswing of major imports due to the application of a single exchange rate will be most noteworthy with pig iron, other iron and steel items and minerals, while the prices of foodstuffs will also be boosted. As a consequence wages will have to be boosted indirectly by about 27 per cent. In order to cope with this situation, Government experts are studying a new price increase plan as a measure for checking whatever shock the proposed single rate may bring about. At the same time, experts suggest that Government ask

SCAP for fixing a special rate for GARIOA and EROA supplies as a means for preventing the domestic price hike, and also to adopt a price adjustment policy for some major export goods whose production cost is exceptionally high.

Improved Trade Prospects

Foreign trade outlook in 1949 appears bright in view of two major factors. In the first place, Japan concluded several agreements with foreign countries during 1948 which are considered to go a long way toward boosting her foreign trade. In July, 1948, Japan concluded financial agreements with France and Indo-China. In the same month, a trade agreement involving US 13,000,000 was concluded with Egypt. In October, Japan concluded another trade agreement with the Netherlands and the East Indies providing for an annual \$93,000,000. A trade agreement involving \$13,000,000 during 1949 was concluded with Sweden in November, while another agreement for a total of \$220,000,000 was signed with the United Kingdom in the same month. Bulky trade agreements are under preparation with Pakistan and other countries. On December 15, a \$600,000,000 trade pact between the Siam and Japan was approved by SCAP.

American aid to Japan, expected to be strengthened in 1949, offers another stimulant to Japan's foreign trade. American financial aid to Japan during the current fiscal year (July, 1948 to June, 1949) totalled US\$672,000,000, including \$387,000,000 in GARIOA funds and \$75,000,000 in EROA funds. Inclusive of aid extended through the deliveries of U.S. Government property, U.S. financial aid extended to Japan during the year under review is estimated to have reached \$700,000,000.

It is not expected that there will be any notable change in the amount of GARIOA funds to be supplied to Japan during 1949, but there is every possibility of EROA funds registering a comfortable increase during the year. However, the future path of Japan's foreign trade is not smooth. During the first half of 1948, Japan's exports totalled only \$78,000,000 or \$6,000,000 less than what they were during the corresponding period in 1947, chiefly due to the lethargic showing of cotton goods. It was for this reason that the Government was compelled to curtail the 1949 export program to \$450,000,000 from the original goal of \$610,000,000. Reasons for the decline are: Customers for Japanese textile goods exist chiefly in the sterling area where dollar funds are extremely short. Textile processing operations are less profitable than other lines of the manufacturing industry. Small traders of weaker financial standing have mushroomed in the wake of bigger merchants, such as Mitsui and Mitsubishi, which withdrew from the international arena due to the dissolution of the Zaibatsu. It is problematic whether these smaller Japanese mer-

chants may compete with experienced foreign trading firms when a since exchange rate is adopted. It is doubtful whether Japanese articles may cope with overseas obstacles, such as the high tariff wall or exchange control. How to improve financing operations for traders presents another headache. From the standpoint of U.S. aid and trade agreements, the foreign trade prospects for Japan during 1949 appear good but the attainment of the 1948 goal of \$450,000,000 exports will tax the traders' and manufacturers' ability to the utmost.

Price Trends & Manufacturing

Actual prices have shown a moderate advance since the spring of 1948, due to the decrease of purchasing power and to the favourable food situation, but advance is anticipated.

The government are planning to secure real wages by improving the distribution of daily necessities. Even though this plan is materialized, the difficulties in national living conditions will continue for the time being, because the effects of the plan will not be felt for several months.

The new price revision will stimulate industrial production. However, as long as currency inflation through government disbursements accelerates and the unhealthy state of industries remains unremedied, the impetus will disappear, and the unfavourable spiral of wages and prices will become apparent. Stabilization of industries from the financial side, selective emphasis in distribution of materials and the securing of real wages by means of the distribution of daily necessities, must be regarded as principal counter-measures. There are various obstacles to these measures, and the future development will be most significant from the viewpoint of post-war economic rehabilitation.

Industrial production has developed favourably due to the increase of imports of raw material, and partly to the favourable turn of the electric power situation. The development of industrial production in the dry season may be affected by the unsatisfactory output of coal. Temporary state control of coal mines has already started, but its effects upon the increase of coal output are not yet certain. Imports of coal of good quality have gradually increased.

Foreign Trade Developments

Foreign trade has gradually increased, the advance in private trade being especially gratifying, its percentage to total exports reaching 30% in February, 48% in May and 45% in July. This development in private trade can be attributed to the easing of the regulations as well as the promotion of trade with the sterling area.

As regards foreign trade, for the first half of 1948, the value in yen of imports was 1.83 times that of exports, the principal features of which can be summarized as follows: (1) Exports of textile goods still ranked first, accounting for 60% of the total; (2) the ratio of foodstuffs and other neces-

Raw materials are needed and what better place than China for such supplies, is the argument now being put forward. The Japanese industrialists have already shown themselves ready to deal with Soviet-dominated Manchuria and Korea and are more than willing to extend their dealings with North China. It is a point which they consider well nigh unanswerable, especially if the United States Government is sincere in its policy of putting Japan on a free trading basis.

series to total imports of basic materials, such as iron ore, coal, oil, etc. advanced to 10.7% of the total compared with 6% for the corresponding period of the previous year; (3) the relative importance of the American market in the import trade declined from 92% to 68%, while exports advanced from 12.2% to 21.8% in comparison with the previous year.

Exports continued to expand, the figures for June showing an increase of 24% compared with the previous month, due to the active demand for cotton tissues, raw silk, miscellaneous goods, etc. Exports of cotton tissues registered the highest figure since the termination of hostilities, attributable to the large shipment of 100 million yards to the Dutch East Indies and deliveries to Great Britain and Malaya. 90% of the total exports of cotton tissues was shipped to sterling area, reflecting the favourable arrangement between the American dollar and sterling currencies. A marked advance in exports of commodities, other than cotton tissues, to non-dollar areas is expected in the future, but in order to attain the desired goal, a barter system with oriental markets must be established.

Exports of raw silk also became active in June, reaching the highest level, the greater part of which was shipped to the United States. The increase of exports to Great Britain, Switzerland, Hongkong and Egypt were significant.

Exports of miscellaneous goods in June increased 7% in comparison with the previous month, accounting for 16.8% of the total export value.

Imports of foodstuffs increased by 46% compared with the previous month, the advance being mainly due to larger arrivals of sugar. As regards imports of textile materials, those of raw cotton continued unfavourable, totalling only 3,562 bales in June. Imports of rayon pulp and hemp advanced, those of salt, coal, other mineral products and rubber also increasing, of which rubber was the most pronounced. Scrap rubber (2,000 tons) from U.S.A., and rubber from the Dutch East Indies were also imported, and coal imports increased about 10% compared with the previous month.

As to destinations, the United States ranked first with 29.09% of the total export value, followed by the Dutch East Indies, Korea and Great Britain. The relative importance of the United States in the import trade declined whilst imports from Cuba and Peru showed a big advance with 23.91% and 13.97% respectively of the total value.

Private foreign trade continued favourable, accounting for 45% of the total export value. Textile goods were largest in value followed by miscellaneous goods. The total exports of metal and timber, the greater part of the agricultural products, and half of the aquatic products and miscellaneous goods were shipped through private firms.

JAPANESE COMMERCE AND INDUSTRY

FROM OUR JAPANESE CORRESPONDENT.

The question of railway cars and the possibility of increasing their export has lately been much discussed in Japanese business circles and it is generally agreed that exports of this particular commodity must be considerably increased during the coming year. The manufacture of railway cars is one of the older Japanese industries, but little attention was paid to exports of this vehicle until 1937 when the war broke out with China. Exports at that time far exceeded the amount required for domestic purposes and opened up a market that the Japanese trade remembers with keen appreciation.

During the latter war years this industry suffered so heavily that it came to a virtual standstill and a number of the factories were taken over for munitions. Now, however, with the recognition that the industry is one of importance, efforts are again being made to put it back on to a firmer footing and in the first flush of enthusiasm a number of those factories originally engaged in this work have been reconverted to the more peaceful occupation of constructing railway carriages.

There is, however, another and less favourable aspect which would seem to have escaped notice or perhaps has not been taken sufficiently into account. The general unsettled economic conditions existing in the country generally which, combined with the serious shortage of coal, are drawing attention to the possibility of electrifying the railways. This change is not likely to be imminent, but it shows the paramount importance of increasing the export trade. In fact should the Japanese government eventually decide to electrify the railway systems of the country purchases from abroad would be the only outlet left to the car industry.

Viewed from this point the situation is not unfavourable although only in the initial stage. Korea has been importing Japanese railway cars since the conclusion of the war. China also at one time considered importing similar cars although at the moment all such tentative plans are at a complete standstill. There remains the U.S.S.R. Although there is not a direct financial agreement between Japan and the Soviet Union in this connection there is a barter agreement of pulp and coal on the one hand and carriages for the Saghalien Railway on the other. The order at the moment is not large but will, it is hoped, increase in volume. It includes 30 locomotives, 20 carriages and 310 goods cars making a total of 360 in all.

There are hopes that Siam will come to an agreement with Japan in so far as railway cars are concerned and, in fact, it would appear that the preliminary stages are already agreed upon. It is also anticipated that the Philippines and India will eventually place substantial orders with Japan, especial-

ly as it is considered possible that India will soon be extending her railway system. Should this eventuate Japan appears to be the logical supplier of cars for that purpose in that her geographical relationship to these countries is to her advantage when compared with western Europe.

Search for Raw Materials

Japan's crying need at the moment is for larger supplies of raw materials and she must necessarily obtain scrap iron from some source other than the U.S.A. which, before the war, was her largest supplier. Now the home demand has, since the war, become so great that she has little to spare for export. To meet this shortage Japan is now turning her attention more and more to the possibility of China as a likely supplier, and Japanese industrialists are exploring the possibility of an exchange of cars for iron ore, the type of car which would be most suitable for China.

Here Japan realises the necessity of keeping in close touch with those countries where indications exist that mutual trade could be carried on. This desire to make close contacts, which is understandable, is clearly expressed by industrialists who hope that the possibility of free movement for business purposes will soon be permitted on a world-wide scale.

Bicycle Industry

Japan's bicycle export trade was, during the latter pre-war years, in an extremely flourishing condition and industrialists had hoped that they would easily regain their supremacy in this respect. These sanguine hopes have not yet materialised if one is to judge by the figures now obtainable. These show that since the war only 62,000 sets have been exported, the bulk going to N.E.I., Hongkong, Korea, Formosa and Singapore. The drastic decline in this trade is to be seen when these figures are compared with those of 1936, which totalled 140,000 bicycles and 160,000 sets distributed during that year alone to China, Manchuria, British India, N.E.I., Siam, Africa, the Straits Settlements and S. America.

Japan's bicycle export trade suffers from two main causes as compared with other exporting countries chiefly Britain, one of which is that the type of bicycle for domestic use is necessarily a different type than that designed for foreign countries whereas the British manufacturer has not to make any difference. There is also the cost of shipping. For instance it costs US\$18 a ton from the United Kingdom to N.E.I., as against US\$33 from Japan. But primarily the greatest difficulty towards increasing the manufacture of bicycles is the present high cost of steel as well as its importation costs both of which appear to be insurmountable.

EXCHANGE & FINANCIAL MARKETS

CHINESE CURRENCY MARKETS

(For the week ending Jan. 15)

Hongkong highest & lowest rates (in HK\$ per 100 yuan): spot notes 3.85—2.77; TT Shanghai 2.32—1.56; TT Canton 2.82—2.15.

Shanghai highest & lowest rates (in yuan): gold per oz 15,500—11,800; US notes 310—250; HK notes 65—45. Gold crosses from 48—53. HK note crosses from 17½ to 20.

Domestic remittance rates turned against Shanghai where outward remittances suffered discounts from 25 to 45%.

Canton highest & lowest rates (in yuan): HK notes spot 58.65—27.40; TT Hongkong 46½—35.40. Forward HK notes at a premium of 40 to 50% over HK note spot rates.

Exchange Clearance Certificates quoted in Shanghai about 40% lower than the US\$ on the unofficial exchange markets. During last week approx. yuan 172 to 185 were paid per US\$1 Certificate.

A new currency for the province of Kwangtung is contemplated in Canton. It is to be pegged to the HK\$ and an open exchange market—which in fact exists today in Canton—would be legalised. There is however no public confidence in any step which the Nanking authorities may now take; the time is considered up for the Kuomintang.

The crisis in Shanghai is nearing its climax. Unrest is rife and support for the Nanking authorities a thing of the past. Officials of the present regime are increasingly abandoning their posts and disregard of authority has become widespread. Law and regulations are held in contempt. Many pronouncements are issued daily by one or the other authority; they are usually ridiculed or brushed away by the public.

The Nanking Govt. is now again issuing a loan, in terms of US\$, secured on gold and whatnot. The Central Bank of China in conjunction with other state agencies is playing fast and loose with the money market; now it's tight, now it's easy. Allegedly large quantities of cloth, flour and sugar are put up for sale in order to "mop up" the excess circulation of "gold" yuan; when this is done a new flood of yuan notes bursts upon the people who have lost long ago confidence in the legal tender of Nanking; in fact, they abhor this printing press money and they try to get rid of it as fast as it comes in.

Free exchange markets are operating in many cities of South and West China and the various city and provincial authorities do not dare to interfere. Gold, silver and foreign currencies are again the measuring rods for commercial transactions all over the country; in more primitive communities rice and principal commodities are regarded as "money"—coming back to the period when "pecunia" had its proper meaning.

Financial transactions of a speculative character mounted here and in Canton with several failures reported in Canton and also one bankruptcy in the Colony when one of the financial merchants could not cover his liability of \$200,000.

Taiwan Currency

The official exchange rate between the "gold" yuan of the Central Bank of China and the Taiwan yen of the Bank of Taiwan is now almost daily adjusted; last week the rate was marked down from Taiwan yen 150 to 115 per one "gold" yuan. (On August 19 the yuan was "linked" to the Taiwan currency at 1,825 T. yen).

There are black markets operating in Taiwan money which is treated in China almost as a foreign currency and its exchange rates are always higher than the official rate of the Bank of Taiwan which follows, in its adjustments, the fluctuations of the black markets in Taipei and Shanghai. (In Hongkong Taiwan yen are also traded at a better rate than the Bank of Taiwan decrees). Black market rates are usually 10-20% better than official rates. Thus, last week while the official rates were ranging from 150 to 115 T. yen per yuan, the black market rates were approx. 130 to 100 T. yen.

In terms of US\$ the Taiwan yen is unofficially quoted in Taipei and other principal cities of the Island, "Nanking's richest prize in the war"; at the beginning of 1948 the rate was 2,000 T. yen per US\$1 (or one million T. yen per US\$500); at the beginning of 1949 the unofficial rate was (and since has remained fairly steady) 31,000 T. yen (or one million T. yen per US\$32¼). During one year the T. yen depreciated in terms of US\$ by 93.55% (or the US\$ appreciated in T. yen by 1,450%).

As last week the US\$ in Shanghai unofficially quoted from 250 to 310 yuan, the proper rate for Taiwan yen—provided that there was no discount on Shanghai outward remittances to Taiwan—should have been 100 to 124 T. yen per so-called gold yuan.

The US Armed Forces are developing the Island and continued "relief" shipments are unloaded in Taiwan which all tends to reinforce the economic importance and the prosperity of the Taiwanese (or Formosans as they prefer to be called). Whether eventually Taiwan will become an independent state or may continue in some political connection with China remains to be seen; from the depredations and suppression committed by the Nanking authorities it might be surmised that there will be little if any sympathy on the part of the Islanders to remain in the Chinese fold. At the moment the strategic importance of the Island is paramount and it will be the military refuge of the Generalissimo. Meanwhile the US development of Taiwan, for whatever reasons, proves to be a boon to the economy of the Taiwanese. Americans are increasingly popular in Formosa.

Gold Markets

Highest and lowest rates last week: \$306¼—300½ Cross rates US\$48¼—49. Trading Reports for the week:—

Monday, Jan. 10:—Opening & closing rates \$303½—300½. On the fictitious forward market the change over favoured sellers at the interest rate of 4 H.K. cents per tael a day. Throughout the week the change over rate continued in favour of sellers. Rates receded on lower prices in China caused by peace rumours. Lowest of the week 300½ touched.

Tuesday, Jan. 11:—Opening & closing 301½—302½. Change over 3 cents. Market steadied on good demands from Canton and Shanghai where transactions multipl.

Wednesday, Jan. 12:—Opening and closing 302¼—301½. Change over 3 cents. Heavy deliveries were made by gold importers and small contracts abroad were reported to have been concluded. Rates slightly dropped but undertone was steady with good support by speculators.

Thursday, Jan. 13:—Opening & closing 301¼—301¼. Change over 3 cents. Market turned quiet and featureless.

Friday, Jan. 14:—Opening & closing 301½—305. Change over 2 cents. Contracted prices C.I.F. Saigon were asked higher at U.S.\$47/47¼ per ounce. U.S.\$ T.T. rate advanced and free market in China believed to be opened soon, speculators heavily bought and market was firm.

Saturday, Jan. 15:—Opening & closing 305—306¼. Change over 3 cents. Continued buying by speculators, and gold importers also bought. Highest of the week 306¼ was recorded. In the unofficial afternoon market some business was done at 306¼.

Trading Position:—

Total cash bars turned over during the week under review, officially 5,610 taels and unofficially 62,700 taels. Over 44,000 taels changed hands by interest hedging forward operators, 21,000 taels exported and about 2,500 taels for local ornamental requirements.

Imports and Exports:—

Imports from Macao began again in bigger quantities during the week, totalling about 9,000 taels. Detailed exports were:—Canton 8,000 taels, mostly to be transported to Central China, Shanghai 5,000 taels, Bangkok 3,000 taels, Singapore 2,000 taels, Haiphong 1,000 taels, Saigon 1,000 taels, and Amoy and Swatow 500 taels each.

Macao gold import licences are amply available against a "fee" through the usual two native banks and their sub-agents (also native banks). Stocks in Macao are lower than average as a result of heavy though not very profitable "exports" to South China. Due to the unrestricted issue of gold import licences the finances of Macao have turned very favourable during 1948; so have those of the people connected with the gold business, directly or indirectly. The self-imposed quota of

1 million ozs for 1948, agreed upon by the Macao Government when negotiating with the Chinese Govt. early last year, has been greatly exceeded last year; in fact, any amount of licences has been issued limited only by the technical market position which, primarily, meant the purchasing power of the Chinese in Canton, Shanghai, Hankow etc.

Silver Market

Little changes were reported, and the highest and lowest prices were:—Bar Silver 3.91—3.90 per tael, Dollar Coins 2.50—2.48 per coin and Twenty-cents coins at 1.90 per five coins without any fluctuation. Some 8,000 taels of bar silver were imported from Canton, Swatow and Taiwan, exporters for London were buying only small lots.

BULLION IMPORTS & EXPORTS

During October 1948 the following recorded bullion shipments took place:—

GOLD: Exports of 69 ozs in bars (in the form accepted in interbank transactions) to North Borneo, valued at \$15,600.

SILVER: Imports 108,000 ozs in bars or ingots from Korea, valued at \$321,000. Exports: total 398,432 ozs, valued \$1,254,760; to United Kingdom 278,000 ozs in bars, at \$945,000, and 120,400 ozs in coins, at \$309,600; and to Central America 32 ozs in coins, valued \$160.

US\$ Market

Highest & Lowest rates last week (per US\$100): notes HK\$525—504½; drafts 508½—502; TT 510½—505 (per HK\$100; US\$19.588—19.802). Local cross rate US\$3.168 high, 3.134 low.

Overseas free exchange markets quoted unofficial sterling higher; Zurich from 3.20 to 3.25, New York 3.08/3.15 (pound notes 3.05/3.10), Paris 3.15/3.20, Bangkok 3.15/3.18.

Overseas Chinese remittances, were on the decline; after Jan. 29 a seasonal drop is expected to last for 1-2 months. Gold imports were again contracted in larger volume which necessitated cover purchases of TT in New York. As a better offtake of gold in China might ensue during the Chinese holiday season larger imports into Macao are expected.

Merchant demand remained small reflecting the slow liquidation of old stocks and the reluctance on the part of dealers to restock now when wholesale prices of most consumer goods are showing a downward trend.

US notes were in strong demand both by Shanghai and by Japanese traders. Denominations of 50 and 100 sold at a premium over 10 and 20 notes. Shanghai buyers were anxious to replace their hoards part of which was surrendered to the Nanking Govt. during last September and earlier part of October. There were also some insistent buyers of US notes among self-exiled wealthy people from the North.

Japanese imports are now often arranged by making payment to the Japanese manufacturers and exporters in US notes; this procedure obviates the necessity to apply, and often in vain, to the Dept. of ST & I for an allocation of US\$ from the two-way Tokyo trading account of Hongkong Govt., and on the other hand Japanese merchandise can be purchased at a much lower price when handing over to the Japanese exporters US notes as their value on the black market in Tokyo (or any other large city in Japan) is in excess of the official trade computation rates.

Another buying source for US notes — which brought the note price 2-3% above the TT rate—were Shanghai arbitrageurs. In Shanghai the US note commands a higher value in terms of HK\$ than is the case in the Colony, the difference at times amounting to 10%. Amoy merchants were quick to cash in on this opportunity; they acquired here TT New York which was changed in Manila into US notes thus making a small profit derived from the local market difference in TT and note quotations.

Bank Note Rates

Unofficial rates for bank notes (in HK\$ per 100, except pounds and Canadian \$ per one).

	High	Low
Bank of England note	15.40	15.05
Canadian \$	4.50	4.46
Indian rupee	101	99
Burma "	84	80
Ceylon "	100½	99½
Malayan \$	179¾	177½
Philipp. Peso	242	238
Baht (Tical)	24	23.80
Nica guilder	34.20	33.40
Piastre (IC\$)	8.32½	7.65

CHARTERED BANK OF INDIA, AUSTRALIA & CHINA

The Bank has opened on the 17th January a new branch at Butterworth, on the Malayan mainland facing Penang.

FINANCIAL SITUATION IN MANILA

Comparative Financial Summary of Thirteen Manila Banks compiled from reports issued weekly by the Bureau of Banking:

— (Monthly Averages; in thousands of Pesos) —

Loans, Discounts and Advances			
Oct., 1948	Sept., 1948	Oct., 1947	
423,157	434,680	340,257	
Total Bank Resources			
Oct., 1948	Sept., 1948	Oct., 1947	
981,809	1,009,544	822,194	
Bank Deposits (Public Funds Not Included)			
Oct., 1948	Sept., 1948	Oct., 1947	
443,642	447,662	408,180	
Debits to Individual Accounts			
Oct., 1948	Sept., 1948	Oct., 1947	
109,574	105,010	110,378	

According to the Currency Statement issued by the Treasurer of the Philippines, the following figures are given relative to the Currency in Circulation:

Oct. 31, 1948 Sept., 30, 1948 Oct., 31, 1947

852,879,026 834,831,236 725,054,420

The increase in circulation of 18,000,000 pesos reflects in part the accelerated activity of the War Damage Commission in effecting the settlement of claims.

The Manila financial world is awaiting the inauguration of the Central Bank which should begin operations within a few weeks.

With the continuation of the West Coast strike, business in November remained quiet with a slight improvement which may be attributed to the end of the rainy season and the approach of the holiday trading period. Inventory positions stabilized somewhat with the limitation on arrivals because of the shipping situation. There has been no marked change in the local price situation with respect to imports, but it is possible that, with the present Administration continued in authority in the United States with its tendency toward establishing price controls and lower living costs, one may see a downward trend in the cost of articles imported from the United States.

NETHERLANDS TRADING SOCIETY

At the annual general meeting of shareholders of the N.T.S. Mr. C. J. Baron Collot d'Escury was appointed president in the place of Dr. E. Helldring.

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

January	Gold		Silver per tael	Per One Hundred Chinese Yuan						U.S. Dollar			
	per tael			Notes	T.T. Shanghai	T.T. Canton	Note	Draft	T.T. New York				
	High	Low		High	Low	High	Low	High	Low			High	Low
10	304¾	300¾	3.90	3.85	3.45	2.20	2.00	2.82	2.57	5.11	5.05	5.10	5.08
11	303	300¾	3.90	3.66	3.55	2.27	1.65	2.80	2.50	5.12	5.05	5.08½	5.07
12	302¾	301¼	3.90	3.55	3.25	1.85	1.56	2.62	2.20	5.11	5.05	5.07½	5.07
13	302	300¾	3.90	3.25	2.82	2.00	1.65	2.47	2.20	5.12	5.04	5.06½	5.05
14	305½	301½	3.91	2.95	2.77	1.90	1.65	2.40	2.15	5.19	5.07	5.09½	5.07
15	306½	304¾	3.91	2.95	2.80	2.32	1.82	2.62	2.51	5.25	5.08	5.10½	5.09½

HONGKONG STOCK & SHARE MARKET

Quotations moved within narrow margins and inquiry was usually absent during last week ending Jan. 14. The undertone however was firm and higher rates are expected from the beginning of February after Chinese New Year (falling on Jan. 29) has been successfully navigated, debts settled and a new financial year, for the Chinese merchants, started with fresh funds to employ.

The termination of the very long drawn-out strike of taxidriviers has

injected some better sentiment in the local market which usually is extremely timid and reacts to any small disturbance in the Colony with liquidations and extreme reticence as to new investment. The scared shareholders were already conjuring up major labour trouble because some pickets were arrested by the Police but eventually the owners and drivers, thanks to the intervention of the Labour Commissioner of Government, agreed to a very reasonable compromise.

On the horizon however still looms the Communist bogey; many of the leading investors with a large following seem to be afraid of possible unfavourable repercussions on the economic life of the Colony if the new Communist controlled regime is going to take over from the nationally and internationally discredited Kuomintang in Nanking. It is even, but without any logical argument, suggested that the security of Hongkong might be endangered. Since it is impossible to reason with people who do not advance any reasons for their actions, or better say inaction, and appreciating that the local market is strongly influenced by the behaviour of a small number of VIPs together with some Company directors, a real recovery of share quotations to a level consonant with the excellent working results of companies and the payments of dividend and bonus cannot be expected. Capital is always shy and very sensitive but in Hongkong, due no doubt to so many speculative individuals and organisations operating here for the time being, this characteristic of capital is exaggerated.

Larger sales last week were effected in the shares of HK Bank, Union Insurance, Wharf, Docks, Hotels, Land Investment, Tram, Electric, China Light, Shanghai Land and in the 3½% Loan of 1948. However transactions in Banks (accounting for about \$390,000), Hotels (about \$158,000) and the 3½% Loan (about \$200,000) were responsible for almost 50% of the total turnover in the market.

Government loans sold last week went at \$102½ for the 4% Loan, at \$100 for the 3½% of 1934, and at \$102½ for the 3½% of 1948.

Volume of Business:—Total sales reported amounted to 85,201 shares of an approximate value of \$1¼ million, a decline of \$¼ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve active representative local stocks stood at 137.35 at the close for a net gain of .02, more or less unchanged from previous week. Day-by-day his averages were: Jan. 10, 137.11, Jan. 11, 136.58, Jan. 12, 136.65, Jan. 13, 136.92, Jan. 14, 137.35:

	High	Low
1947	155.82	123.88
1948	146.68	134.05
1949	137.78	136.58

Dividends:

The Directors of the Shanghai Dockyard have recommended a dividend of 70 cts. per share.

Business Done:

H.K. Govt. Loans: H.K. Govt. 3½% Loan @ 100 X. Int., 100½ X. Int., 4% Loan @ 102½.

Banks: H.K. Bank @ 1810, 1800, 178, 1800, 1790, 1820.

Insurance: Unions @ 725, 730, 735; H.K. Fires @ 270.

Dock & Godowns: H.K. & K. Wharves Old @ 135, 134, 133 and New @ 125; H.K. Docks @ 27¼, 29½; China Providents @ 19¾; S'hai Docks @ 10.80.

Hotels & Lands: H.K. Hotels @ 15.20, 15.30, 15.40, 15½, 15.60, 15.65, 15.70, 15.80, 15.90, 15.60; Lands @ 66, 67, 67½; S'hai Lands @ 3½, 3.40, 3½, 3.40, 3½; Humphreys Old @ 15.10; H.K. Realities @ 2.05.

Utilities: H.K. Trams @ 20.40, 20.20, 20, 20.20, 20.30, 20.20, 20.50, 20.40; Star Ferries @ 140.00; C. Lights Old 14.80, 14.70, 14.80, 14¾, 14.80, 14.90, 15; Lights News @ 10½, 10.85, 10.90; H.K. Electrics @ 37½, 37¼, 37½, 38, 38½, 39; Macao Electrics @ 28¾.

Industrials: Cold. Macg. @ 28; Cements @ 40, 40¾; H.K. Ropes @ 20; Dairy Farm Old @ 42, 41¾; and New @ 41; Watsons Old @ 61, 61½, 61¼ and New @ 57, 57¼.

Stores: Sinceres @ 6.80, 7. Cottons: Ewos @ 9¾, 9½, 9¼, 9, 9.15, 9.10.

Rubber, etc. Companies: Consol. Rubbers @ 1.50.

* * * *

Manila Share Market

The mining share market has fluctuated inactively within narrow limits during the past months. Only Lepanto has advanced on pleasing news from the property coupled with a further rise in the United States copper price, while Mindanao Mother Lode has registered a further decline with the publication of a progress-report disclosing that further problems have to be solved before a satisfactory level of operations at the mine can be reached.

The surprise result of the American presidential election and other foreign developments have had relatively little effect on market sentiment. Generally speaking, investors are more concerned with the domestic outlook.

Changes of great importance are now taking place. In addition to the much debated Import Control measure, which has become operative following the turn of the year, the Central Bank of the Philippines is expected to begin its operations soon. Divergence of opinion exists as to the probable economic impact of these factors. For the present, therefore, and until the general picture clarifies, investors are likely to remain largely on the sidelines.

SIAM'S BUDGET FOR 1949

The budget totals 2.12 billion baht, which is 27 per cent larger than that for last year. Approximately one third is allocated for ordinary expenditures. Of the extraordinary expenditures, 835 million baht is in the noninvestment category, while 523 million baht is investment expenditures. It is expected that the latter will be covered by loans. About one third of the ordinary expenditures is allocated to the Minister of Defence.

STERLING/LIRA AGREEMENT

On November 26, 1948 a new agreement was signed by Italy and the United Kingdom concerning payments between the former country and the sterling area. The agreement establishes that Italy's sterling proceeds, from both exports and financial remittances, will be computed in lire, as follows:

(a) Fifty per cent of the sterling proceeds of each transaction will be sold to the Italian Exchange Office at a rate equal to the monthly average of the lira-dollar rate multiplied by 4.03, i.e., the orderly cross rate.

(b) The other half of the sterling proceeds of each transaction will be sold on the market at a rate equal to the daily quotation for the dollar multiplied by 4.03. Therefore, the effective export rate for sterling, as for the dollar, will be the average of the monthly average rate and the rate of the day.

All sterling payments by Italian debtors, both for imports and for financial remittances, will be made in lire on the basis of the daily quotations, as in (b) above. All payments in sterling, therefore, as in dollars, will be at the rate of the day.

The new method is an important innovation in Italy's exchange system. The sterling quotations, from now on will be pegged rigidly to the dollar quotations at the cross rate of 4.03, thus eliminating any discount of sterling against the dollar on the Italian exchange.

The exchange rates for most payments agreements in which Italy is engaged are already pegged to the dollar rate according to the 50 per cent system. The lira-sterling rate computed according to the new system and based on the monthly average lira-dollar rate (575) in force since last May is 2317. The rate is practically the same if based on the current lira-dollar daily rate, because of its almost negligible fluctuations. At the end of last year this rate was 574.90.

TOKYO SECURITIES MARKET

Since November, the choice of traders has been moving from former favourites, such as spinnings and rayons, to machines and chemicals on the strength of mounting stimulants for the latter group. This trend has become particularly noteworthy during recent weeks. In Japan, it is customary that share prices tend upward toward the year-end apparently because of the swelling note issue. This year was no exception.

Stocks were booming in 1948 with prices climbing to new postwar highs. Two major upsurges marked share prices during the past year. The first upturn started in December 1947, culminating in January and February 1948. In February, particularly, the jump was almost frantic. A reaction set in from March, with share prices declining into September, except for a spasmodic rally in late July and early August. Then came the second major rally which started in October and continued into December. Many favourites climbed to new postwar highs. These two upswings, however, were different in origin. The first advance was mainly due to uncertain currency prospects. The Bank of Japan note issue broke through the ¥200 billion mark toward the end of 1947. On the other hand, the Soviet Union announced a new currency policy on December 14, 1947, creating general apprehension among the Japanese public that Japan might follow suit. A drive from cash to commodities set in and a rush of the bulls ensued. The second rush starting from October was due to different factors. By that time, the credit of currency was restored, as envisaged in a notable increase in bank deposits. It came on the strength of a series of stimulants, such as the alleviation of deconcentration and anti-monopoly restrictions, a new U.S. policy toward Japan and the advent of the Yoshida Cabinet. In the former rally, traders were indiscriminate in selecting their shares. In the second rally, they were selective, running after such stocks as were supported by sure accelerators.

The volume of share transactions also increased in 1948, as bulks of capital-increase shares and S.C.L.C.-released shares flooded the mart, contributing toward a further democratisation of securities.

There is every possibility that the tone of stocks will continue into the new year, as the stimulants which appeared during 1948 will take more concrete form in 1949. Profit conditions of business and industrial companies are certain to improve due to adjustment and rationalisation, and the inflationary spiral will weaken. Black-market prices are likely to dive, and supplies of key materials should improve. There is every chance of the present gap between share quotations and prices of commodities being further narrowed.

HONGKONG SHIPPING REVIEW OF 1948

The year 1948 showed considerable progress and the return of pre-war conditions in the Colony's shipping may be expected within the next two years. Ocean and river shipping, ocean cargo, passenger returns advanced last year over 1947 by large margins and only river cargo tonnage—due to the decline in China trade—was down in 1948 over 1947 figures. Trade with Far Eastern countries other than chaotic China boomed and shipping statistics of Hongkong bear out the generally optimistic picture of our entrepot business.

The port of Hongkong has been fully rehabilitated and partly modernised by the efficient Marine Department of Hongkong Government in cooperation with private dockyards, warehouse companies and the shipping companies maintaining head or branch offices in the Colony. New construction work, large-scale repairs and a high standard of maintenance of harbour facilities have once again elevated Hongkong to one of the principal ports of the world.

Ocean and river tonnage in December:

The US maritime strike settled American ships resumed their regular runs and ocean tonnage, passenger and cargo figures reflect the reappearance of the US flag in the Colony's waters. Ocean tonnage, inward and outward, increased over November by 17.86% and 13.71% respectively. Ocean passengers, in and out, increased over November by 29% and 18.6% resp.

River tonnage exceeded the previous record month of November by 0.6% for arrivals and 4.4% for departures. Passengers in river steamers were slightly less than in November when highest figures for 1948 were recorded, the decreases amounting to 1.18% and 1.37% for inward and outward passengers respectively.

Ocean & river tonnage in 1947 and 1948:

Comparisons with 1947:—(Arrivals only):—

	Monthly averages	
	1947	1948
ocean shipping ...	597,996	659,582
river "	71,707	122,834
Total	669,703	782,416

Highest and lowest cargo figures for 1948 and 1947 (in tons):—

	1948	1947
Highest discharged	241,574 in March	249,662 in March
" loaded	112,684 in Dec.	83,570 in Nov.
Lowest discharged	138,922 in Nov.	143,527 in Sept.
" loaded	57,988 in Oct.	54,857 in Feb.

In 1948 ocean shipping increased over 1947 by 10.3%, while river shipping increased by 71.3%.

Total tonnage entering Hongkong in 1947:—ocean 7,175,959, river 880,490, a total of 8,036,449. For the year of 1948 ocean tonnage entering Hongkong aggregated 7,914,985 and river tonnage 1,474,008, a total of 9,388,993.

The tonnage figures of 1947 when compared with 1946 were almost 75% up but represented only about 50% of the average prewar tonnage entering the port of the Colony. In 1948, the monthly average of shipping entered compared with the prewar average is about 60% of the figure before the war.

Ocean and river passengers in 1948, per average month, aggregated 120,428 against in 1947 a total of 98,218, thus showing this year an increase in passenger traffic of almost 22.61%.

Bunker coal & oil

In December ocean and river steamers bunkered the following quantities (in tons):—

	Coal	Oil
Ocean steamers	11,369	15,848
River "	1,391	886
Total	12,760	16,734

Commercial cargo on ocean steamers:

December brought back US ships and much cargo was loaded which had accumulated in local godowns during the maritime strike thus establishing for cargo outward bound, the record of 1948. Compared with November the freight increases amounted to 56.96% for discharged, and to 14.63% for loaded cargo. Compared with December 1947, the increases were 37.35% for discharged and 62.14% for loaded cargo.

During 1948 imports of cargo by weight, as carried into the Colony by ocean steamers, increased over 1947 by 3.13%; exports were considerably up, exceeding 1947 by 24%.

More ocean cargo was discharged than loaded both in 1947 and 1948, the excess in 1947 amounting to 163.9%, and in 1948 to 119.6%.

Total ocean cargo in and out in 1948: 3,378,385 tons. Total ocean shipping tonnage arriving and departing in 1948: 15,731,723.

Cargo on River Steamers

In December river steamers between the Colony and Pearl River ports as well as Macao carried an exceptionally large amount of inward cargo (imports from South China into Hongkong) while outward cargo (exports to South China and Macao) declined against November. River cargo figures for the 4th quarter of 1948 (in tons):—

	Dec.	Nov.	Oct.
discharged	11,792	8,533	8,865
loaded	6,782	7,392	5,570

Total cargo in river steamers in December: 18,574 tons. Total tonnage of river steamers in December: 340,373.

During the year 1948 river cargo arrivals were 108,503 tons, departures 89,476, a total of 197,979 tons. Monthly average for inward cargo 9,041.9, for outward cargo 7,456 tons. Against the 1947 monthly averages the river cargo figures for 1948 show declines, viz. 24½% for inward, and 6¾% for outward cargo.

In 1948 imports from river ports (mainly Canton and Macao), by weight, were considerably higher than exports (outward cargo); per average month 21.26% (1,586 tons). In 1947 the excess of inward over outward freight amounted to about 50% (4,000 tons per average month).

Total tonnage of river cargo in 1948: 197,979. Total tonnage of river steamers: 2,954,064.

SHIPPING STATISTICS OF HONGKONG FOR THE YEAR 1948

During the year of 1948 the total tonnage of ocean ships aggregated 15,731,723 and the total tonnage of river ships amounted to 2,954,064, making a grand total of 18,685,787.

The largest arrival and departure of ocean tonnage was recorded in May. The largest inward and outward tonnage of river shipping was recorded in December.

The largest number of passengers on ocean ships arrived and departed in March. The largest number of river boat passengers arrived and left in November.

Total passengers, ocean, inward and outward: 517,568, river, inward and outward: 927,588, grand total passengers: 1,445,156.

MONTHS	OCEAN STEAMERS TONNAGE		RIVER STEAMERS TONNAGE		OCEAN PASSENGERS		RIVER PASSENGERS	
	IN	OUT	IN	OUT	IN	OUT	IN	OUT
January	619,031	592,021	104,352	105,135	23,906	19,782	31,011	32,460
February	543,329	557,534	95,228	96,246	13,880	11,190	29,900	31,100
March	715,538	716,003	105,981	105,523	32,389	25,729	40,005	42,383
April	651,324	606,514	123,037	123,127	28,088	20,911	37,847	44,687
May	743,222	772,700	111,132	111,497	22,511	25,139	39,978	38,402
June	690,510	711,658	105,690	102,430	18,115	16,917	34,706	32,962
July	686,393	671,442	86,775	90,518	23,617	20,651	31,546	34,102
August	734,692	736,436	124,808	124,892	25,163	19,046	37,944	35,544
September	712,108	674,975	121,685	122,802	24,078	24,412	34,558	38,337
October	624,977	667,962	159,766	160,955	23,479	18,409	41,843	48,372
November	548,002	519,161	167,271	164,840	20,904	14,813	46,079	49,784
December	645,859	590,332	168,282	172,091	26,967	17,572	45,537	49,101
Year 1948	7,914,985	7,816,738	1,474,008	1,480,056	282,997	234,571	450,354	477,234
Monthly Averages ..	659,582	651,394	122,834	123,338	23,583	19,547	37,529	39,769

COMMERCIAL CARGOES**(OCEAN STEAMERS)**

Month	Discharged	Year—1947		Month	Discharged	Year—1948	
		Loaded	TOTAL			Loaded	TOTAL
January	190,450	83,357	273,807	January	180,544	86,534	267,078
February	184,771	54,857	239,628	February	202,807	76,542	279,349
March	249,662	77,219	326,881	March	241,574	81,980	323,554
April	166,681	70,573	237,254	April	224,985	68,215	293,200
May	226,870	75,561	302,431	May	220,097	97,379	317,476
June	161,393	65,529	226,922	June	189,681	93,571	283,252
July	203,281	61,953	265,234	July	158,262	91,612	249,874
August	177,964	62,307	240,271	August	222,296	94,220	316,516
September	143,527	73,849	217,376	September	160,429	98,162	258,591
October	194,688	74,289	268,977	October	163,350	57,988	221,338
November	192,578	83,570	276,148	November	138,922	98,299	237,221
December	158,760	69,498	228,258	December	218,052	112,684	330,936
TOTAL	2,250,625	852,562	3,103,187		2,320,999	1,057,186	3,378,385
MONTHLY AVERAGES ..	187,552	71,047	258,599		193,416	88,098	281,514

TRADING JUNKS & LAUNCHES

(in foreign trade under 60 tons)

December returns (in tons) :—

	Inward	Outward
Cargo: Junks ..	32,702	6,547
Launches ..	131	336½
Total Cargo ...	32,833	6,883½
Vessels: Junks ..	130,529	123,623
Launches ..	4,711	4,516
Total Vessels ..	135,240	128,139

Passengers arriving in December 2,115; departing 8,132.

Licences issued in December:—576 (incl. 16 motor) junks and 44 steam launches and motor boats. Among licensed craft were 84 trading and 139 fishing junks. Most junks and launches are licensed twice or three times a year with the exception of ferry launches which obtain an annual licence from the Director of Marine after due survey has been carried out.

Imports arriving here in junks and launches during December were again far in excess of exports shipped out of the Colony by the same vessels. This development has been observed throughout 1948, especially since March from which month imports dropped heavily.

Commercial cargo arriving here in December was larger than in November, an increase of 18.6%; outward cargo declined over November by 21.83%. The volume of cargo in junks arriving here was in December 376.98% larger than the volume of cargo taken out of Hongkong. The tonnage of vessels however was, as in all preceding months, practically the same, inward tonnage having been 5.44% larger than outward tonnage of junks and launches.

Commercial Cargo in 1948:

	Inward	Outward
High	37,575 January	11,634 January
Low	25,046 February	3,256 July

Comparisons of tonnage of vessels and cargo

In 1948 the inward and outward tonnage of junks and launches registered here was 19.37% larger than in 1947. Vessels were however inadequately loaded; on their inward voyage they carried per average month 29,419 tons of cargo while outward bound they had loaded only 6,605 tons per average month. Thus, while they arrived fully loaded the junks and launches left only

about one quarter of loading space full (77.55% empty space when departing from Hongkong). The inward and outward tonnage of vessels was the same in 1947 while in 1948 inward vessels' tonnage exceeded outward tonnage by 7.33%.

The change in cargo loading and discharge reflects the increasing exports from China and the decline in imports into China. The most important factor responsible for the drop in imports, as expressed in the cargo figures of junks in 1948, was the slump in the purchasing power of the people. Trade restrictions by the Chinese authorities and the active assistance rendered by the Hongkong authorities in the suppression of unrecorded trading between China and the Colony, had also something to do with the trading results as emerging from cargo arrivals and departures by junks in 1948.

During 1948 the inward cargo exceeded outward cargo by 345.41% while in 1947 the excess amounted only to 21.98%. Inward cargo in 1948 was higher than in 1947, the increase amounted to 17.76%. Outward cargo fell sharply in 1948, dropping against 1947 by 67.75%. The decline in cargo figures for imports and exports amounted to 20.75%.

HONGKONG SHIPPING REPORT FOR DECEMBER

ARRIVALS

FLAG	Ocean Steamers		River Steamers		TOTAL		CARGO	PASSEN- GERS	PASSEN- GERS	PASSEN- GERS
	No.	Tonnage	No.	Tonnage	No.	Tonnage	RIVER STEAMERS	RIVER STEAMERS	OCEAN STEAMERS	TOTAL
British	91	259,062	195	127,576	286	386,638	4,161	28,485	10,464	38,949
American	15	68,541	—	—	15	68,541	—	—	96	96
Chinese	70	83,065	160	40,706	230	123,771	7,631	17,052	6,275	23,327
Danish	9	36,667	—	—	9	36,667	—	—	1,006	1,006
Dutch	13	63,901	—	—	13	63,901	—	—	5,763	5,763
French	2	6,255	—	—	2	6,255	—	—	567	567
Greek	2	8,740	—	—	2	8,740	—	—	—	—
Norwegian	28	79,117	—	—	28	79,117	—	—	2,585	2,585
Panamanian	7	14,798	—	—	7	14,798	—	—	9	9
Philippine	6	12,465	—	—	6	12,465	—	—	117	117
Portuguese	2	1,839	—	—	2	1,839	—	—	4	4
U.S.S.R.	2	3,463	—	—	2	3,463	—	—	61	61
Swedish	3	7,946	—	—	3	7,946	—	—	20	20
Total Foreign ...	159	386,797	160	40,706	319	427,503	7,631	17,052	16,503	33,504
Total	250	645,859	355	168,282	605	814,141	11,792	45,537	26,967	72,504

DEPARTURES

British	86	245,815	199	130,807	285	376,622	2,259	32,498	6,656	39,154
American	14	65,187	—	—	14	65,187	—	—	35	35
Chinese	58	55,935	162	41,284	220	97,169	4,523	16,603	2,006	18,609
Danish	9	36,554	—	—	9	36,554	—	—	1,446	1,446
Dutch	12	53,470	—	—	12	55,470	—	—	5,138	5,138
French	2	6,255	—	—	2	6,255	—	—	87	87
Greek	1	4,360	—	—	1	4,360	—	—	—	—
Norwegian	27	76,737	—	—	27	76,737	—	—	2,113	2,113
Panamanian	10	19,366	—	—	10	19,366	—	—	29	29
Philippine	1	14,588	—	—	7	14,588	—	—	37	37
Portuguese	2	656	—	—	2	656	—	—	8	8
U.S.S.R.	2	3,463	—	—	2	3,463	—	—	9	9
Swedish	3	7,946	—	—	3	7,946	—	—	8	8
Total Foreign ...	147	344,517	162	41,284	309	385,801	4,523	16,603	10,916	27,519
Total	233	590,332	361	172,091	594	762,423	6,782	49,101	17,572	66,673

Comparing December 1948 figures with the averages of 1947 the same picture is presented: inward cargo exceeds the 1947 monthly average by 31.42%, while outward cargo is lower by 66.39%.

Comparisons between 1947 and the year of 1948:—

	Year 1947	Year 1948
Tonnage of Junks & Launches		
Arrivals	1,208,781	1,490,378
Departures	1,203,089	1,388,533
Total Vessels ..	2,411,870	2,878,911

	Tonnage of Cargo	
Arrivals	299,795	353,027
Departures	245,788	79,260
Total Cargo ..	545,583	432,287

	Cargo:—Monthly averages	
Arrivals	24,983	29,419
Departures	20,482	6,605
Total, average month	45,465	36,024

Resettlement of sampan squatters and rehabilitation of typhoon shelters

The Causeway Bay Typhoon Shelter is about to be rehabilitated by clearing

the stagnant water and reinforcing the seawalls. Sampans and other small craft now mostly populated by squatters are to be allotted distinct spaces inside the shelter leaving sufficient space for fairways where motor boats and other craft can freely move in and out. The Causeway Bay area is now quickly developing into a major residential quarter of the Colony; ever more modern buildings go up in this area which already has changed much of its prewar character. The continued presence of so-called water or sampan squatters was considered dangerous to the health of the surrounding city area and the appearance of the largely silted up shelter must be regarded as disgraceful.

It remains to find new locations for the water population and such were marked out inside the huge Yaumati Typhoon Shelter. Within a short time this shelter is to receive the finishing touches to the already far advanced state of rehabilitation which has cleared and cleaned the waters and "resettled" the "residents" in the Yaumati shelter in the centre of the water. Freer movement of vessels inside and out and into the Yaumait Typhoon Shelter is now possible. Life of the water population has become more sanitary.

Causeway Bay Typhoon Shelter should, after rehabilitation which is now well in hand, contribute to the natural beauty of the area and induce visitors to employ motor boats and sampans for

short trips in the harbour. While private buildings including hotels, restaurants, cinemas are springing up, Government is constructing and rehabilitating roads so as to create, in cooperation with private enterprise, one of the new and most desirable quarters on the Island.

JUTE INCREASE IN PAKISTAN

The final 1947-48 estimate of jute in Pakistan is 2,059,000 acres including 28,900 acres estimated to have been sown in the district of Sylhet where the Jute Regulation Act is not in operation. Compared with the preceding year's final forecast of 1,373,000 acres for the same areas, then in undivided India, this shows an increase of 50 percent. The total 1947-48 crop is estimated to be up 65.7 percent over 1946-47, or 6,842,000 bales of 400 pounds each, as compared with 4,128,000 bales reported in the final forecast by the Government of India last year.

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HIDE EXPORTS FROM SIAM

Exports of hides from Siam average about 2,000 piculs monthly (1 picul equal 133½ pounds). The export trade is handled by 25 firms in Bangkok, most shipments going to Malaya, Europe, and the United States.

Bangkok has four tanneries, one of which is owned and operated by the Ministry of Industry. Four large firms produce shoes and bags, and several smaller establishments manufacture hand-made leather goods.

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CONTINUOUS PRODUCTION OF "SAWDUST" SHEET IN BRITAIN

A new machine, developed by the British Artificial Resin Company of 3, Vere Street, London, W.1. realises an old dream of inventors—to put sawdust in one end of a machine and take out building sheets from the other. The old method of making such sheets was to mix resinous bonding material with sawdust or other fibrous waste and to put the mixture, in uniform layers, into a multi-plate press. The new method presses the raw material into continuous sheets on a machine of novel design, for which patent protection has been secured in many countries. The resin-sawdust mixture, having a controlled and uniform moisture content, is fed continuously on to a moving band, then passed under electrodes of a radio frequency heater which brings the temperature of the mass to about 100 degrees centigrade. Then, with the help of a second band the mixture is subjected to uniform pressure, which may be varied from 50 to 3000 pounds a square inch according to the thickness and density of the board required. The material leaves the machine as a finished sheet fully cured, and is cut by a saw into predetermined sizes.

JUNKS & LAUNCHES Traffic Figures for the year of 1948

ARRIVALS		
	Tonnage of Vessels	
	Launches	Junks
January	5,132	117,447
February	4,163	85,351
March	4,826	117,421
April	4,903	109,268
May	3,732	103,048
June	3,406	99,248
July	3,649	104,249
August	4,489	114,862
September	4,035	111,071
October	3,943	110,969
November	4,690	112,989
December	4,711	130,529
Year 1948	56,505	1,433,873

	Tonnage of Cargo	
January	149½	37,426
February	38	25,008
March	142¼	31,994
April	162½	29,165
May	278	26,963
June	65½	26,410
July	101	29,502
August	268	32,190
September	257½	30,354
October	193¼	27,859
November	326½	27,341
December	131	32,702
Year 1948	2,118	350,914

DEPARTURES

	Tonnage of Vessels	
	Launches	Junks
January	5,493	117,862
February	3,694	87,947
March	4,767	121,495
April	4,555	115,489
May	3,506	99,938
June	3,717	105,725
July	3,857	103,931
August	3,865	113,223
September	4,060	114,417
October	3,966	112,749
November	4,807	121,422
December	4,516	123,623
Year 1948	50,712	1,337,821

	Tonnage of Cargo	
January	428	11,206
February	421	10,531
March	402	6,797
April	140½	4,937
May	336	4,691
June	157	4,085
July	346	2,910
August	80	6,406
September	291¾	3,423
October	461	5,311
November	1,077½	7,729
December	336¾	6,547
Year 1948	4,477¼	74,783

REPORTS FROM MALAYA

(By Our Malayan Correspondent)

Airfield Development

The Singapore scheme to develop Changi on the east coast of the island into a first-class international civil and R.A.F. airport has been abandoned as it has been proved that the cost would be prohibitive in view of the work that would be necessary to make runways strong enough to take the landing loads of aircraft such as the new British Brabazon planes. An alternative scheme to develop further Tengah airfield in the centre of the island is now being considered.

The Changi scheme would involve the construction of a runway of a minimum of 3,000 yards length with a concrete surface of at least twelve inches thick. Some time ago it was discovered that the subsoil was unsuitable for the laying of a concrete runway and it was decided to substitute an asphalt surface. This, too, has been proved to be unsuitable and technical snags have been encountered which to be successfully overcome would require an enormous amount of work and maintenance that now dictates the abandonment of the project. A landing strip is, however, to be constructed for use by the Royal Air Force.

The Changi scheme was to be a combined project, its cost to be borne by the Air Ministry, the Royal Air Force and the Singapore Government. The projected runways were initially to cost Malayan \$20,000,000 and the erection of the required buildings and administrative offices, which included a first-class hotel for transit passengers, would have required at least another \$20,000,000. Singapore was to provide the land and contribute \$5,000,000 to the initial cost of the scheme.

The Tengah airdrome scheme involves the extension of the existing Royal Air Force field now there which is also used by civil air lines at the moment for landing Constellation planes. It is capable of expansion and the construction of heavy concrete runways of at least two miles long will offer no serious difficulties and preliminary reports suggest that the new scheme as a whole will be capable of completion both quicker and at less cost than the original scheme at Changi. Air Ministry engineers are now drawing up plans and making further examination of the Tengah site but no decision to proceed with the project has been taken. The Singapore government has been strongly criticised for the manner in which it has handled the Changi scheme and for acquiescing and committing the public to the expenditure of large amounts apparently without first ascertaining the suitability of Changi. It is pointed out, however, that the decision to develop Changi was largely one taken by the Air Ministry and the Royal Air Force.

Colonial Development

The chairman of the Colonial Development Corporation (Far East) Ltd., Mr. Nutcombe Hume, has recently been touring Malaya to see for himself in what manner the Corporation can assist in the development of this country. He

then told a press conference that he thought Malaya would provide more schemes for the Corporation than any other individual territory in his area.

Mr. Hume emphasised that his Corporation was not going to compete with private enterprise although the Corporation would be run on commercial lines. The projects that the Corporation would consider were those designed to blaze a trail that appeared to entail rather more risk than purely commercial enterprises would consider merited the investment of private capital. Private enterprise would be encouraged by the Corporation's schemes. One such scheme the Corporation already had under consideration was the construction of a grid electric power project for the whole of Malaya, using hydro-electric plants, to enable cheap and plentiful power for the development of mining and other commercial enterprises.

Like all other experts who have visited Malaya, Mr. Hume agrees that the development of other agricultural industries to take the place of the rubber growing industry is very desirable and he concurs with the local Governments in the view that rice production should be increased. This policy of increasing rice production has been followed by the Governments of Malaya for the past twenty years. Since the war considerable strides have been made in the production of rice and the production for the year just ended is estimated at about 100,000 tons, about twice the amount produced in the pre-war years.

Tin Shipments

Final figures for the shipment of tin metal from Malaya for the year 1948 have just been released. They show that in December, 1,753 tons were shipped bringing the total for the year to 47,194 tons. This compares with 32,072 tons shipped in 1947 and indicates the steady progress that has been made in the production of ore during the year. These shipments for 1948 are the product of the two Malayan smelting companies, The Straits Trading Co. Ltd., and the Eastern Smelting Co. Ltd.

Of the 1948 shipments the United States of America received 29,497 tons, the United Kingdom 155 tons, the Continent of Europe 7,283 tons, Canada 2,675 tons, India 5,275 tons, South America 478 tons, South Africa 420 tons, Australia 1,060 tons, Pacific ports 344 tons and Middle East ports seven tons.

Rubber Shipments

Rubber shipments from Malayan ports, including shipments of rubber imported from adjacent territories, during December totalled 65,566 tons bringing the total shipments for the year 1948 to 979,172 tons, compared with 953,688 tons in 1947. The December shipments were well below what the market anticipated.

Of the 1948 shipments United States of America received 371,391 tons, United Kingdom 173,169 tons, Soviet Russia 103,393 tons, Germany 49,898 tons, France 44,096 tons, Canada 36,340 tons, Australia 26,109 tons, Japan 16,911 tons and China 9,465 tons.

GREAT INDUSTRIAL EXPANSION IN SOVIET ASIA AND ITS POSSIBLE EFFECTS ON THE ECONOMY OF FAR EASTERN COUNTRIES

PROGRESS OF THE CURRENT POST-WAR FIVE-YEAR PLAN IN SIBERIA

By WILLIAM MANDEL

To the average European and American, Siberia includes all of Asiatic Russia. To the Russian, it is a much more limited area: it does not include the five republics of Central Asia to the south, the immense area east of Lake Baikal (called the Far East), and the rich and well-developed Ural Mountains to the west. A third concept, that of the Soviet economic and, presumably, military planner, submerges Siberia proper into the "eastern districts," a term indicating areas left undeveloped under the old regime. It is this territory, comprising all the lands east of the Volga River and the Caspian Sea, which is now the scene of rapid economic progress.

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It is in the westernmost sections of this whole vast Soviet East, however, that the greatest industrial expansion is taking place. This is true, of course, only when expansion is measured in terms of miles of railroad construction and tonnages of actual productive increase rather than in percentages. When a single medium-sized blast furnace is constructed in the area east of Lake Baikal, in Moslem Central Asia, or in the Babel of the Trans-Caucasus, it is a complete novelty; the percentage of increase is therefore infinite, and the political impact upon non-Soviet Asia is sharp. But when, during the war, ten of the world's largest furnaces were put into operation in the Urals, the effect on the distribution of the Soviet economy was vastly greater, even though production increased "only" fifty-eight percent.

This fact requires emphasis because of the popular impression that the preponderance of Soviet industry is, or will shortly be deep in Siberia. Nothing could be farther from the truth. The Soviet picture somewhat resembles a recent trend in the United States: three million Americans have moved to the Far West since the beginning of the war boom, and industries entirely new to the area have been founded there, but the U.S. economy continues to be centered in the industrial northeast. The difference between this American trend and that of the U.S.S.R. lies in the facts that the Soviet movement began a decade earlier, was planned by the state, is continuing at a predetermined rate, and has already shifted the industrial balance between east and west to a greater degree than in the U.S.

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Siberia, under the tsars was truly the frozen desert that the outside world believed it to be. Except for ancient foundries of historical interest but negligible output, and coal mines dug to meet the needs of the single-track Trans-Siberian Railway, its industrial production was virtually zero. The Ukraine produced 87% of the country's coal and 70% of its iron ore and pig iron, as well as four-fifths of its sugar. This was preposterous from the standpoints of national security and rational economy. Cotton grown in Central Asia went 2,000 miles by rail to Moscow, Poland, and the Baltic provinces to be processed; then part of the cloth eastward. St. Petersburg (now Leningrad) was the centre of the machine industry, such as it was, although the city was vulnerable to attack and far distant from both raw materials and domestic markets.

Soviet redistribution of industry was based on a number of considerations. First, industries were erected as often as possible at the source of their raw materials. Second, they were located to take advantage of existing transport facilities. Third, they were built as close as possible to their present or potential markets (European Russia, where the overwhelming bulk of the population lived, was therefore favoured). Fourth, sources of raw materials were "brought," by intensive prospecting, to those places where the previous consideration indicated that industries should be located. Iron was sought and found near the coal of the Siberian Kuzbass, and coal not far from the iron ore of Magnitogorsk in the Urals. Transportation between these distant points was accordingly reduced. The fifth consideration was that of national equality; special efforts were made to found industries in territories inhabited by non-Russians. Sixth, the largely Russian-made equipment for industries in newly-opened areas had to be built in older industrial communities, making for expansion there as well.

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Coal output throughout the U.S.S.R. in 1938 was $4\frac{1}{2}$ times as great as in 1913. Yet the Siberian fields multiplied their output more than 20 times during this period. Now coal and steel industries as large as or larger than those of all Tsarist Russia were created in the Urals and Siberia. The center of these industries, however, has not really shifted from the old loca-

tions in the Ukraine, Moscow, and Leningrad. These older European centers, with the advantage of established facilities, have grown more rapidly than the East—not in percentage, but in actual tonnage capacity. Overall industrial output in the Urals and Siberia on the eve of World War II was 50% larger than that of all Tsarist Russia. It was, however, only 15% of the Soviet total. Three-fifths of all Soviet industry remained West of the Volga.

From the beginning of World War I to the outbreak of the recent conflict, the combined coal output of the Urals, Siberia, Central Asia, and the Soviet Far East rose from one-fifteenth of the Russian total to over one-third (from 2,000,000 to 60,000,000 tons). Iron and steel production rose from one-fifth to one-third (pig iron from 900,000 tons to 4,350,000; steel from 900,000 to 6,222,000). Virtually all of the Soviet Union's nonferrous metals except aluminum come from Siberia and its border territories. These industries, however, nearly exhaust the list of those launched and expanded in the decade before World War II. Only one-seventh of Soviet petroleum came from east of the Volga at the end of this period, and this represented a considerable achievement. The Soviet East produced a similar fraction of all cement and paper, 7% of the manganese, 8% of the leather footwear, 6% of the refined sugar, and 2% of the textiles. Sverdlovsk and Cheliabinsk in the Urals were almost the only cities in the entire Soviet East where the manufacture of machinery had begun on a large and modern scale.

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The pre-war decade, therefore, served to establish the great, basic coal and metal industries and to double-track and modernize the Trans-Siberian Railway, thus meeting the prime requirements for the development of a rounded economy and national defence. In other fields, enterprises individually quite large were merely pilot plants in percentage of Soviet output as a whole. The problem was chiefly one of time and partly one of population, food, and transport. Before the war, the Russian East alone (the Urals, Siberia, and the Far East) had almost caught up to Soviet Europe in the ratio of industry to population: it included one-sixth of the population (28,500,000) and more than one-seventh of the industry. Yet the Central Asian republics, which had already acquired a far higher level of industrialization than Asia south of the border, still lagged behind Siberia. Therefore the Soviet East as a whole still compared unfavorably with European Russia in per capita industrial output.

That the Soviets fought Hitler from prepared industrial positions in the East is clearly a myth, save in regard to coal and metals. But coal and metals did make possible a remarkable rate of wartime expansion, and this

expansion, combined with herculean evacuation of a million carloads of industrial equipment from Europe ahead of the advancing Germans, created a new picture for the Soviet East today. The war effort brought to the Urals and Siberia ten blast furnaces with a total annual capacity of 2,400,000 tons of pig iron; steel furnaces with a capacity of 3,700,000 tons; fourteen rolling mills with a capacity of 1,300,000 tons; and thirteen batteries of coke ovens with a capacity of 5,400,000 tons. These increased the output of pig iron in the Soviet East by 58%, steel by 55%, coke by 104%, and tubing by 530% over 1940 levels.

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Factories permanently evacuated eastward manufacture trucks, aircraft, machine tools, piping, boilers, turbines, agricultural and textile machinery, ball bearings, locomotives, and equipment for the chemical industry. Precision tool works, cellulose and paper mills, plywood and wood-working factories, distilleries, canneries, and meat-packing plants have also been transferred.

Petroleum production has shifted sharply away from the Caucasus to the areas east of the Volga, partly because of a drop in output in the former area, and partly because of considerable expansion in new fields. Production outside the Caucasus rose from 14% of the Soviet total in 1940 to 30% in 1945, but only half of this came from Asia proper.

The fourth Five-Year Plan (1946-1950) is now at the half-way mark. Production is running somewhat ahead of schedule, although, as in the past, certain industries and areas are doing better than others. The Soviet East as a whole shows no great divergence from plan. The U.S.S.R. by 1950 may well be as much an Asiatic as an European power as far as basic industries are concerned.

Of the total projected coal production in 1950 (250,000,000 tons), 47.5 per cent is to come from the Urals and points east. Ural coal output is to rise 2.7 times by that time, approximating the output of the Siberian Kuzbass, hitherto the leading eastern field. This will help to separate the remarkable Ural-Kuzbass Combine into two independent regions by eliminating the exchange of iron ore from the former for the coking coal of the latter. The separation is furthered by increasing the iron ore output of mines near Kuzbass. The 1,200-mile Ural-Kuzbass section of the Trans-Siberian Railway is nevertheless being electrified to expedite transport, and will become the world's longest electric railroad.

Steel at the close of the present Five-Year Plan is to come chiefly from the Urals and Asia. Of a national total of 25,400,000 tons, about 14,500,000 will be produced in the East. To attain this goal the huge Novo-Tagil works, begun before the war, and the war-baby Cheliabinsk works

are to be completed, partial production is expected from four other unfinished plants in the Urals and Siberia; and a new plant will be built in Kazakhstan. Particular attention is being directed toward expanding the production of thin cold-rolled sheet steel. The Cheliabinsk plant will become the largest producer of thin cold-rolled sheet steel and special steels in the U.S.S.R.

The Five-Year Plan shows certain regional emphases. Expansion in the Urals is centered upon the iron and steel industry and upon electric-power supply, which was badly overloaded by wartime demands in this area. Lumbering and woodworking are also to receive major attention.

Siberia proper (excluding the Urals, the Far East, and Central Asia) will provide coal, gold, other metals, wheat, automobiles, tractors, harvester combines, railway locomotives, textiles, and leather. Of these only the first four items were produced there in quantity before the war. (The area along and just south of the Trans Siberian Railway is one of the great bread-baskets of the U.S.S.R.) In the vicinity of the Kuzbass coal center, local resources of iron ore, manganese, zinc, and bauxite are being developed. An aluminum mill transferred there during the war is expected to treble its output by 1950. Also in the Kuzbass a new steel mill is projected equal in capacity to the present plant, to make total production there as great as that of all Tsarist Russia in 1913. Steel fabrication plants on the spot will make direct use of the Kuzbass steel product. The existing nitrate fertilizer industry is undergoing expansion; a synthetic fuel plant is in construction; and production of plastics, chemicals, and pharmaceuticals is increasing sharply. The area is to supply aniline dyes to the textile industry. It will produce locomotives, paints and varnishes, radio sets, movie equipment, household utensils, textiles, cement, ceramics, and meat products.

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Tillage in the Kuzbass is being increased 25% in order to feed the population. Fruits and berries have

been acclimatized, and an output of 7,500,000 pounds of apples and 22,000 tons of berries is foreseen for 1950. Now under construction for the people of the region are 129 schools, 125 public libraries, thirty hospitals, twenty-six large community centers, fourteen movie houses, and four theatres.

The total effect of the current Five-Year Plan, therefore, will be to make Siberia proper virtually as important to the Soviet economy as was the entire area east of the Volga at the outbreak of the recent war. But Siberia will continue to depend upon European Russia for much, if not most of its consumer goods.

Developments east of the Kuzbass are still at a very early stage. The fifteen-year-old dream of a vast new economic empire in eastern Siberia, powered by the immense hydroelectric resources of the Angara River, was given specific outline at a week-long conference at Irkutsk in August 1947, preceded over by a distinguished metallurgist. This conference resolved upon a chain of power plants producing ten times the energy of Dneprostoi, or about three times that of Grand Coulee. It will be a generation, however, before this project and its attendant industries bulk large on the Soviet industrial scene.

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At present the Far East is to emphasize steel output and shipbuilding at Komsomolsk, and local production of agricultural goods to reduce transport requirements, while transport itself is being improved.

The industrial development of eastern Siberia and of the Soviet Far East is chiefly a matter of the future. This is most simply illustrated by the fact that no railroad construction whatever is scheduled east of the Kuzbass, although from that point west the new Southern Trans-Siberian, 2,400 miles long, is to be ready by 1950, opening a vast new territory for settlement and farming. Asia outside the U.S.S.R. seems to be affected little if at all by the Siberian developments now under way.

British Industries Fair, 1949

The 1949 British Industries Fair will be held at Earls Court and Olympia in London, and at Castle Bromwich, Birmingham, from May 2-13. The Textile and Clothing industries will be staging a major display. Overseas visitors are urged, in their own interest, to book their hotel accommodation in London or Birmingham, and their return passage, prior to leaving for the United Kingdom, through any established travel agency. In cases of emergency the Reception Branch of the Board of Trade, or the Accommodation Officer, Birmingham Chamber of Commerce, will do their best to assist visitors.

Visas and Passports: The British Government is anxious to smooth the path of the country's trade guests to the B.I.F. Where a charge is normally made for visas to the U.K., bona-fide visitors to the Fair may obtain the visa, without charge, on application to the nearest British Consular Officer. Such visas will be valid for three months and include families (wives and children under 18) even though they may travel on separate passports.

Catalogues: The catalogues of both the London and Birmingham sections of the Fair will be indexed in nine languages. They will be sectionalised and cross-indexed in the fullest detail. Advance copies of the London catalogue will be dispatched about twelve weeks

TRADE & EXCHANGE CONTROLS IN FAR EASTERN COUNTRIES

Burma—Singapore & Malaya—Indonesia—Siam
—Indochina—Philippines—Japan—Korea

BURMA

Burma's import trade has been returned to private commercial channels as improving circumstances of postwar rehabilitation have warranted, with the result that a significant proportion of Burmese imports is now handled by private importers. Imports from all sources of supply, particularly from the United States and other hard-currency countries, have been subject to strict import control in conjunction with the exchange-conservation measures prevailing throughout the sterling area, in which Burma continues membership.

The import-control programme now in effect in Burma was instituted on October 1, 1947, and is predicated on the following policy statement of the Burmese Commerce and Supply Department: "Present circumstances demand the urgent imposition of severe restrictions on imports into Burma to insure maintenance of a stable and sound economy. Only a very drastic import trade control can guarantee Burma a favourable trade balance and a stable Burma rupee. This means that sacrifices will have to be self-imposed by importers and consumers. This does not, however, mean that the general policy to revert as quickly as

possible to normal trade is altered. The policy of the Government of Burma remains the same and as soon as the trade balance of the country indicates the possibility of relaxing the import trade control or of releasing any class or classes of goods from control, relaxations or releases will be made to the extent feasible." This import-control policy has not been altered by the independence of Burma on January 4, 1948.

With the exception of open general licenses applicable to imports of a limited number of articles from sterling sources in the British Empire and Commonwealth, (certain types of printed material and such essentials as coal, mineral oils, base metals, asphalt, pitch, and tar) the import-control schedule assumes the following pattern:

Goods in List A will ordinarily be licensed freely because of their essentiality and subject only to the current supply position in Burma and the availability of supplies in the exporting country; goods in List B will be licensed on a quota basis or on their merits; goods in List C will not be licensed at all. With regard to the implications of List A, it may be assumed, although this qualification is not mentioned, that in many instances import possibilities from sterling sources of supply will be explored first before negotiations are undertaken with hard-currency countries.

With Burma's export trade centered at present in shipments of rice and teak, it may be said that the Government of Burma handles most of the country's exports. All rice shipments are made by the State Agricultural Marketing Board (formerly the Agricultural Projects Board) and move under international allocations determined by the International Emergency Food Committee of the FAO. Teak exports are partly by Government and partly through private channels, although private exports require official export authorization. Exports of most other commodities are also handled by private trade under export license. All exporters to hard-currency countries are required to declare to the Collector of Customs that foreign exchange representing the fair market value of the goods at the Port of Embarkation has been or will be disposed of in a manner and within a period prescribed by the exchange-control authorities.

Import Controls: Import licenses are required for all imports from hard-currency countries. Imports of certain items are prohibited.

Import Exchange Controls: Release of necessary exchange is contingent on issuance of an import license.

Status of Private Import Trade: The position of private import trade has been restored as circumstances have warranted, to the extent that private

trade now accounts for probably about three-fourths of Burma's total imports.

Export Exchange Controls: Practically all exports require export license authorization of the Government of Burma. Clearance of exports through customs is also contingent on certification of the exporter that the foreign exchange earned has been or will be disposed of in a manner prescribed by the exchange-control authorities.

Status of Private Export Trade: Because rice constitutes most of Burma's current exports and is handled entirely by the Government under the international allocations set by the International Emergency Food Committee, it may be said that Burma's export trade moves for the most part through Government channels.

FEDERATION OF MALAYA AND COLONY OF SINGAPORE

Imports into the Federation of Malaya and the Colony of Singapore move for the most part through private commercial channels, with very few exceptions, such as rice, flour, and sugar, which are in short supply and under international allocation. In the export field, rubber and most other commodities are handled by private traders, whereas tin metal is purchased through government-to-government bulk-purchase contract.

All imports into these areas from hard-currency sources of supply require import license authorization, which is a prerequisite for the release of the necessary exchange. Such imports are restricted to essentials which are not readily available from soft-currency sources. The importation from sterling-area countries of articles manufactured outside the sterling area is subject to the conditions applicable to imports directly from the country of origin, even though there may be no United States dollar exchange involved in the transaction.

Imports of piece goods are restricted in that a price ceiling has been applied to piece goods imported from hard-currency countries. This ceiling, which has been subjected to a succession of reductions, favours such merchandise imported from the United Kingdom and other soft-currency sources of supply. Effective February 19, 1948, this price ceiling was set at 65 Malayan cents per square yard.

Imports from the sterling area, China and certain countries on the European continent are exempt from import-license requirements, with the exception of agricultural commodities under international allocation, cotton linings and poplins, worsted suitings, linen piece goods, lead semi-manufactures, cutlery, decorated chinaware, intoxicating liquors, manufactured foodstuffs, manufactured tobacco, flat glass, and wool carpets. There is no general license applicable to imports from other sources of supply.

Import Controls: Import licenses are required for all imports from hard-currency countries.

before the opening date to those buyers who have intimated their intention of visiting the Fair, and to selected overseas firms and others.

Other Facilities: Among the services provided for visitors will be Inquiry Bureaux at Euston and Paddington stations in London, and at New Street and Snow Hill stations in Birmingham; a corps of interpreters at the three exhibition centres; Overseas Buyers' and Exhibitors' Clubs; and a special allocation of petrol to visitors who bring their own cars or who are able to borrow cars from business associates in Britain.

LOCATION OF TRADE GROUPS

Earls Court, London: Textiles and Clothing; Leather, Leather Goods (including Boots and Shoes and Travelling Requisites, Imitation Leather, etc., Foodstuffs, Beverages and Tobacco; Furniture and Floor Coverings; Domestic Suction Cleaners; Plastics; Pottery; and Glassware; Commonwealth Section; General and Sales Services.

Olympia, London: Chemicals; Chemists' Supplies; Scientific, Photographic, etc., Office Machinery and Equipment; Printing, Bookbinding, etc., Machinery; Radio; Musical Instruments; Cutlery, Jewellery (Real and Imitation), Plated Ware, Silverware, Watches and Clocks; Brushes and Brooms; Sports Goods; Stationery, Paper, Printing and Publishing; Toys and Games; Baby Carriages; Fancy Goods.

Castle Bromwich, Birmingham: Hardware; Building; Electricity; Engineering.

Import Exchange Controls: Release of necessary foreign exchange for imports from hard-currency countries is contingent upon the issuance of an import license.

Status of Private Import Trade: Private trade predominates. Exceptions include essential foodstuffs under international allocation.

Export Controls: Some commodities are under export control.

Export Exchange Controls: As a member of the British Commonwealth's dollar exchange pool, Malaya must surrender dollar exchange to this pool.

Status of Private Export Trade: Private trade predominates. An exception is tin metal, which moves under government-to-government contract.

FRENCH INDOCHINA

While Indochina's foreign trade, in general, is being conducted by private firms and individuals, strict government control is exercised over all imports and many exports. The scarcity of foreign exchange necessitates continued government regulation of foreign-exchange transactions. A recent reorganisation of the country's trade-control organisations may result in changes in foreign trading procedures, but there is little to indicate an important change in trade policy or trade controls.

Imports are made according to a Plan of Importation, as part of an over-all Supply Plan for Indochina. This Plan is prepared and published toward the end of each half year for the ensuing 6-month period, taking into account essential goods and commodities, such as foods, textiles, chemicals, machinery, and equipment necessary to the country's reconstruction. It shows under the headings of the various commodities the quantities to be imported and the sources (franc, sterling, dollar, etc.). In preparation of the Plan, authorities consider first franc sources. When essential goods cannot be procured from within the French Union, or when procurement would involve too long a delay, the Plan provides for importation from some other source. Selection among other sources depends upon such factors as cost, amounts of exchange available, and the time when delivery might be expected.

Firms and individuals desiring to import goods must, however, obtain from the proper authorities the necessary Purchase Authorization and exchange permit. Applications for the documents are accepted for only goods included in the Plan for Importation. Exchange controls are administered by the Indochinese Exchange Office.

Many private firms and individuals are organised into importers' syndicates, to which is apportioned a large percentage of total imports. These syndicates serve in an advisory capacity to the Permanent Commission of Internal and External Exchanges, which prepared the Plan of Importation.

By official Decree published on December 11, 1947, there was established a Central Committee of Supply and Commercial Exchanges (to replace the Central Committee of Supplies), which is charged with the fixing of export and import policies, establishing quotas

for imported goods and exportable surpluses among the various States, and approving the Plan of Importation.

There was established also a Permanent Commission for Internal and External Exchanges, under the presidency of the Director of Foreign Commerce, which henceforth will prepare the Plan of Importation, approve import and export licenses, exercise the decisions of the Central Committee, and approve lists of products which may be directly exported by other services.

The present situation with regard to export controls is as follows: Export permits are not required in the case of all products, but foreign exchange derived therefrom must in specified commodity groups be surrendered to the Government. Allowing exporters to retain a percentage of foreign-exchange proceeds stimulates the export trade. The new agencies in charge of Indochina's foreign-trade policies will place somewhat greater emphasis on exports, perhaps to the point that outright exchange of exports against imports may be permitted.

Import Controls: All imports into Indochina are subject to strict government control. Theoretically, they are restricted to essential goods such as foodstuffs, textiles, chemicals, and machinery and equipment needed for the country's rehabilitation.

Import Exchange Controls: Foreign-exchange transactions are under government control. Exchange is granted to cover purchases from non-French sources when they cannot be procured from the franc area, or when procurement would involve too long a delay.

Status of Private Import Trade: Subject to the above restrictions, the bulk of the country's import trade is conducted by private firms and individuals.

Export Controls: Exports controls are applicable to some products. Likewise inter-State trade in certain commodities is subject to restriction.

Export Exchange Controls: Foreign exchange derived from exports must be surrendered only in a few major export articles to the government, payment being accepted in piasters at the official rate of exchange.

Status of Private Export Trade: The bulk of Indochina's foreign export trade is conducted on a private basis.

JAPAN

Import Controls: SCAP requires licensing for all imports into Japan except certain shipments such as gift relief parcels and samples sent via parcel post. The required import license is issued by Boeki Cho (the Japanese Board of Trade), subject to approval by SCAP. Imports are restricted to essential items, chiefly raw materials required for Japanese industrial production.

Import Exchange Controls: There is no exchange control because no commercial exchange rate has yet been established for the Japanese yen. Payments must be made in dollars or other currencies designated as acceptable; control over volume of imports is exercised through import licensing.

Status of Private Import Trade: Only a limited number of private import contracts have been a concluded, and

these have been for the purchase of raw materials required for Japanese industrial production. The extent of private trade is steadily increasing and may soon exceed Government trading.

Export Controls: SCAP requires that all exports from Japan, including samples, be licensed. The required export license is issued by Boeki Cho subject to approval by SCAP.

Export Exchange Controls: There is no export exchange control because no commercial exchange rate has yet been established for the Japanese yen. Payment must be made in acceptable currencies (at present, United States dollars and in some cases sterling), and export prices are quoted basically in United States dollars.

Status of Private Export Trade: An increasing number of private export contracts have been concluded, and export shipments made, since the reopening of limited private trade with Japan in August 1947. Private trade is now increasing.

SOUTH KOREA

Entry of traders in limited numbers into South Korea is permitted for the following purposes: to purchase goods available for export, or to sell raw materials; to provide commercial services, such as insurance and shipping, to expedite the movement of imports and exports between South Korea and other countries. Under existing procedures, trade is conducted as follows:—by barter, (exports are not permitted to leave South Korea until they are compensated for by goods (direct barter)); by won (Korean currency) obtained from the sale of imports; or by foreign exchange.

Import Controls: All imports into South Korea must be authorized by government which issues a list of approved imports—chiefly goods essential to the industrial development of South Korea—and which also issues the import licenses that control the entry of such goods.

Import Exchange Controls: No commercial exchange rate has been established between the Korean won and foreign currencies, and foreign trade is conducted by barter. In the case of direct barter, the exchange of goods will take place in South Korea, the imported commodity being shipped with, or previous to, the compensatory export. If imports are sold for Korean won in South Korea (delayed barter) the trader would undertake to expend the proceeds within a reasonable time to purchase compensatory exports, thus completing the barter transaction.

Status of Private Import Trade: While imports into South Korea are still handled to a large extent on a government basis, since July 15, 1947, approved imports have been channeled via private trade.

Export Controls: All exports from South Korea must be authorized by government which issues a list of approved exports and which issues the export licenses controlling the shipment of such goods from South Korea.

Export Exchange Controls: In the absence of a commercial exchange rate, approved exports may be bartered for

approved imports. If the exports are sold abroad for foreign exchange (delayed barter) the Korean Foreign Exchange Bank through its correspondent banks in other countries, will collect and hold the proceeds. The exporter is allowed 180 days to use his earned foreign exchange for the purchase of approved imports; or he may choose to receive payment in Korean won for his exports and the foreign exchange will be made available to other importers. The arrangement also includes provisions whereby an exporter may transfer his credit in earned foreign exchange to others.

Status of Private Export Trade: A small volume of exports has moved through private trade channels, but private business is steadily increasing.

INDONESIA

When the Dutch Government returned to the Netherlands Indies during the latter part of 1945, the Netherlands Indies import and export houses were not in a position to resume their normal business activities, which had been disrupted by the effects of the war and which were limited by inadequate foreign exchange. For these reasons it was necessary for the Netherlands Indies Government Import and Export Organisation (NIGIEO) to handle all import and export trade.

It has been the Government's declared policy, however, to return foreign trade to private channels as rapidly as possible. Retarded by the exigencies of an adverse exchange position, which became more critical as political negotiations dragged on without tangible results, the reversion of trade to private hands became a gradual process and it was not until October 1, 1947, that NIGIEO was dissolved.

Two agencies, the Import Planning and Allocation Organisation and the General Import Organisation briefly referred to as AIO, have replaced NIGIEO in the control of import trade.

The Import Allocation and Planning Organisation, functioning under the Department of Economic Affairs, is composed of a director appointed by the head of that Department, and a board of four, consisting of the chairman of the Netherlands Indies Association of Importers and Wholesalers (NIWIA), one member each representing the Chinese and Indonesian business communities, and one official of the Department of Economic Affairs. The board acts in a purely advisory and planning capacity and submits to the Department of Economic Affairs estimates of the types and quantities of required imports and proposals for allocating the intended purchases to pre-war and postwar import houses. Upon the approval of these estimates by the Department of Economic Affairs, the necessary exchange is made available by the Bureau of Foreign Exchange.

AIO, a semigovernmental organization, is also under the direction of the Department of Economic Affairs. AIO utilizes private trading channels to a greater extent than did NIGIEO; but while private firms have more scope under the AIO set-up, their operations

are still restricted. In ordering goods from abroad three methods are employed by AIO as follows:

(a) **Bulk Foodstuffs, Cigarettes, and Beverages.** Bulk foodstuffs, cigarettes, and beverages are ordered by AIO through local Netherlands Indies firms maintaining offices abroad. This group of firms is associated with the Netherlands Indies Wholesalers and Importers Association (NIWIA). Upon receiving an order from AIO the NIWIA determines which of its member firms will handle the transaction. This member then orders and despatches the goods. No matter which member effects the transaction, all of the member firms who before the war regularly handled the goods ordered share in the commission. This commission is divided among them on the basis of their pre-war share of the trade in those goods. Only firms maintaining offices abroad and who are members of NIWIA can participate in business handled this way. Shipments of this type are financed by and consigned to AIO. Upon arrival in Indonesia and upon payment of the foreign exchange equivalent in guilders to AIO, import houses may take possession of the goods. Importers who are financially unable to pay the AIO will nevertheless be enabled to take possession as selling agents for the AIO.

(b) **Special Items.** Purchases of paper, stationery, and a number of other items are handled on an allotment basis. When it has been determined how much exchange can be made available during a given period for the importation of such items, the business is divided among the importers who regularly handle that item. Allocations to individual importers correspond to their prewar share of the business in the item in question. Generally, however, 10 percent of the available foreign exchange is reserved for distribution among the importing firms established since the war.

(c) **All Other Items.** Orders for other items are placed on the basis of tenders. When the government has determined how much exchange may be allocated during a given period for the importation of a specific article, importers are invited to submit tenders. Considerations of quality and delivery date, as well as of price, determine the award.

The basic reason for the existing import-control system is the necessity to conserve foreign exchange, and to prevent the import of goods paid for by foreign credits established illegally as the result of smuggled exports. Accordingly, under a recently initiated interim import plan designed to rehabilitate the export industries without foreign financial aid, definite rules have been laid down for the guidance of the controlling authorities. All imports are subject to license. For instance, imports from the mother country (Netherlands) will receive preference, as will imports from countries with which the Indies have made barter agreements.

On the other hand, when dismantled or partly damaged equipment in the country can furnish the wherewithal to repair less damaged machinery, and provide for repair or replacement parts, no import license will be issued. If the equipment is urgently needed, the rule is that a higher price will be paid for foreign exchange made available to obtain prompt delivery. Further, placing of an approved order may not be held up because of an expected drop in the purchase cost in the future.

All exports require licenses issued by the Export Bureau. The export of a number of products are handled only by specific government agencies, namely the Copra Fund, the Quinine Bureau (for cinchona), the Sales Bureau for Mineral Ores, and the Central Sales Agency for Estate Produce (for estate produce of undetermined ownership). The Netherlands Indies Rubber Organization (NIRUB) ceased operations as of February 24, 1948.

The export of food products is generally prohibited.

Import and Export Controls: All imports are subject to import license. Exports of copra, mineral ores, cinchona, and estates produce of undetermined ownership are handled by governmental agencies; all other exports are in private hands, but are subject to price control.

Exchange Control: Because of its scarcity, foreign exchange is granted by the Foreign Exchange Bureau upon the recommendation of the Department of Economic Affairs, and is based upon the estimates and allocations of imports made by the Import Planning and Allocation Organization of that Department. All foreign exchange obtained by exporters must be turned over to the Foreign Exchange Bureau.

Status of Private Import and Export Trade: The General Import Organisation, a semi-governmental agency, handles about 50 percent of the import trade, with the remainder in private hands. With the exception of copra, tin, cinchona, and estate produce of undetermined ownership, export trade is handled by private exporters.

REPUBLIC OF THE PHILIPPINES

Under provisions of the Philippine Trade Act of 1946 trade with the U.S.A. is on a reciprocally free basis for a period of 8 years beginning July 4, 1946. Products of either country are admitted into the other free of ordinary customs duties, provided the products do not contain foreign materials (other than United States and Philippine materials) in excess of 20 percent of their value.

From July 4, 1954, imports into either country from the other will be subject to graduated duties, beginning at 5 percent of the lowest duty accorded similar products of any country, and increasing by 5 percent each calendar year until 1973 when duties on all imports into the Philippines from the United States and on all into the

United States from the Philippines will equal 100 percent of the lowest duty accorded similar products of any country.

During the entire life of the Agreement, products of either country containing more than the allowable percentage of foreign materials will be subject to full duties on entering the other country. To insure the free entry of United States articles into the Philippines, a certificate of origin is required for every shipment valued at over US\$10, and for shipments valued at over \$100 a consular invoice also is necessary.

Under terms of the National Internal Revenue Code of the Philippines a sales tax or a specific tax is levied on all products imported from any source, including the United States. Based on the gross selling price, the sales tax is paid by the importer, and at present amounts to 20 percent for products classed as luxuries, 10 percent for semiluxuries, and 5 percent for all other goods. Specific taxes are levied, in lieu of the sales tax, on such products as tobacco manufactures, distilled spirits, petroleum products, and motion-picture films.

Import control has come into force from the beginning of 1949 (see our issues of Jan. 5 & 12).

Import Exchange Control: Currency is pegged by law at 2 pesos per U.S. dollar. Under terms of Agreement signed July 4, 1946, this relationship may not be changed, nor may any restriction be imposed on the transfer of funds from the Philippines to the United States except by agreement with the President of the United States.

Status of Private Import Trade: Imports are made through commercial channels, except that the Philippine Relief and Trade Rehabilitation Administration (PRATRA) is authorized to import on account of the Government for relief purposes and for commercial distribution. PRATRA also is empowered to commandeer stocks of imported goods for resale in emergencies, to combat blackmarket operations and regulate distribution of scarce commodities.

Export Controls: Export Control Law prohibits exports, except to United States, of 41 categories of articles, chiefly foodstuffs, textiles, and building materials, and requires specific export license for all other articles. Exports to United States are under general license, except exports of copra and surplus property for which specific licenses are necessary. There is an embargo on exports of logs, lumber, and timber to all countries, including the United States, except exports of certain specified amounts and types of logs, flitches, and sawn lumber.

Export Exchange Controls: None.

Status of Private Export Trade: Through commercial channels.

SIAM

The Government of Siam, as owner and operator of the various communications and telecommunications sys-

tems, as well as of certain industries, has required considerable amounts of foreign exchange for its purchases abroad in the period since the end of the war. Also, it was deemed necessary by the Siamese authorities to acquire approximately US\$9,000,000 as a cover for the currency to replace gold sold to the Federal Reserve Bank in New York late in 1946. For these and other reasons, controls over foreign-exchange proceeds realized from the export of a number of products have been continued to the present time.

Exporters of rice must surrender 100 percent of their foreign-exchange proceeds to the Bank of Siam, accepting payment in baht at the official rate of exchange (US\$1 equals 9.925 baht, and 1 pound sterling equals 40 baht). With up to 10 percent of rice proceeds, however, the exporter may buy sterling at the official rate of exchange to import goods of any kind, or use as he sees fit.

Exporters of tin are required to surrender 50 percent of their foreign-exchange proceeds, accepting for this

portion in baht at the official rate of exchange. With the remaining 50 percent they may import goods of any kind.

Exporters of rubber are required to surrender 20 percent of their foreign-exchange proceeds, retaining the remainder for use as they see fit.

Exporters of cement are required to surrender 100 percent of their foreign-exchange proceeds.

Firms and individuals who wish to import goods and do not have foreign exchange proceeds may buy this exchange on the open market or, if the desired commodities are on the priority list, apply to the Bank of Siam for exchange at the official rate. At present, exchange at the official rate is granted for only petroleum products and a few health and educational requirements. Previously it has been granted, theoretically, for a large number of commodities, including goods and materials needed for rehabilitation, and other such important items as textiles and drugs and medicines. Practically, it has been difficult for private importers to secure appreciable amounts of foreign exchange from the Bank of Siam at the official rate for any purposes.

Further liberalization in use of foreign exchange may be expected in view of the fact that the desired amount of dollars have been set aside as a cover for the currency.

With more liberal amounts of sterling than dollars at its disposal, the Government of Siam in September 1947 aligned Siam with the countries in the Transferable Sterling Group. This step gave Siam greater flexibility in utilizing sterling in settlement of current transactions with other members of the Transferable Sterling Group, as well as with the Sterling Area. Transferable accounts have been set up in a number of banks in the United Kingdom to handle these transactions.

Import Controls: Import control has been introduced (compare our previous two issues and a notice elsewhere in this issue). Gold imported must be sold to the Bank of Siam at the official rate of exchange.

Import Exchange Controls: Importers having their own foreign exchange are free to utilize it to purchase abroad goods of any kind, or they may buy foreign exchange on the open market—where rates are higher than the official rate—to utilize as they may wish. Exchange at the official rates is granted for the import of only a few categories of goods, including petroleum products and some health and educational requirements.

Status of Private Import Trade: Subject to the above regulations, a large part of Siam's import trade is conducted by private firms and individuals, although the Siamese Government makes some purchases abroad directly for its own account.

Export Controls: A number of products, chiefly foodstuffs, wood and firewood, cotton goods, and certain live

EQUIVALENTS OF CHINESE STANDARD (METRIC) AND OTHER SYSTEMS OF WEIGHTS AND MEASURES

Standard (Metric) System.	Other Systems.	Other Systems.	Standard (Metric) System.
WEIGHT.			
1 Hectogramme (100 grammes) ...	2.645547 Taels.	1 Tael	0.377994 Hectogramme.
1 Kilogramme (10 Hectogrammes) ...	1.6534668 Catties.	1 Catty (16 Taels) ..	0.6047899 Kilogramme.
1 Quintal (100 Kilogr.)	1.6534668 Piculs.	1 Picul (100 Catties) ..	0.6047899 Quintal.
1 Hectogramme	3.215074 Ounces (Troy).	1 Ounce (Troy)	0.311035 Hectogramme.
1 Hectogramme	3.527396 Ounces (Avdp.)	1 Ounce (Avdp.)	0.283495 Hectogramme.
1 Kilogramme	2.2046223 Pounds	1 Pound (16 Ounces Avdp.)	0.4535924 Kilogramme.
1 Metric Ton (10 Quintals) ...	0.984206 Ton.	1 Ton (2,240 Pounds) ..	1.016047 Metric Tons.

CAPACITY MEASURE.			
1 Litre	0.2199754 Imperial Gallon	1 Imperial Gallon ..	4.545963 Litres.
1 Litre	0.264178 U.S.A. Liquid Gallon	1 U.S.A. Liquid Gallon ..	3.78533 Litres.
1 Litre	0.554352 Sho (Japanese).	1 Sho (Japanese) ..	1.803907 Litres.

Wines, etc.: 12 Bottles (= 24 H alf-bottles) or 12 Reputed Quarts (= 24 Reputed Prints) are accepted as equal to 9 Litres.

LINEAL MEASURE.			
1 Centimetre	0.3937 Inch.	1 Inch	2.54 Centimetres.
1 Metre (100 Centimetres) ..	3.280843 Feet.	1 Foot	0.3048 Metre.
1 Metre	1.0936143 Yards.	1 Yard	0.9143992 Metre.

SQUARE MEASURE.			
1 Sq. Centimetre ..	0.155 Sq. Inch.	1 Sq. Inch	6.4516 Sq. Centimetre.
1 Sq. Metre (10,000 Sq. Centimetres) ..	10.7639 Sq. Feet.	1 Sq. Foot	0.092903 Sq. Metre.
1 Sq. Metre	1.19599 Sq. Yards.	1 Sq. Yard	0.836126 Sq. Metre.

TIMBER MEASUREMENT.			
1 Cubic Metre	423.77 Superficial Feet B.M.	1 Superficial Foot B.M.	0.00235973 Cubic Metre.

animals and fowls may not be exported except under license.

Export Exchange Controls: Exporters of all products except rice, rubber, tin, and cement are free to utilize their foreign-exchange proceeds as they see fit. Exporters of these four products are required to surrender a percentage of their foreign-exchange proceeds.

Status of Private Export Trade: Rice is exported through Government channels under allocations of the IEF, but export trade in other products is conducted by private firms and individuals, subject to the above restrictions.

* * * *

Open market exchange rates in Bangkok were quoted at the end of last week as follows:— TT New York 20.22 baht, TT London 63.85, TT Hongkong 4.00. The unofficial cross rate in Bangkok has been recently slightly higher than the one quoted in Hongkong. Crosses ranged from 3.10 to

3.25. Last week's average cross rate was 3.16.

Gold is traded on an open market but quotations are not generally published. The trading unit is the baht weight of 15.244 grammes. Transactions are mostly conducted by Chinese (Swatow and Hainan) native bankers and exchangers.

Bangkok is used as a transit port for gold shipments; in the past much of the gold brought into Macao was, when shipped from European ports, carried first to Bangkok and from there in a chartered plane to Macao (when gold shipments originated in the Americas the routing of such bullion was via Manila or via Saigon for unloading in Macao). The domestic offtake of gold in Siam is limited, first, by the low purchasing power of the native population and, second, because of the currency of Siam being considered, with good justification, as secure and there has not been any flight of capital from the baht.